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1998

Annual Report

West Fraser

TIMBER CO. LTD.

ANNUAL INFORMATION FORM
DATED JANUARY 29, 1999



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INTRODUCTION

Corporate Profile and Map of Operations

West Fraser began operations in 1955 and is now an integrated forest products company producing dimension lumber and related solid wood products, fibreboard, pulp, linerboard, kraft paper and newsprint. West Fraser holds extensive timber-cutting rights in British Columbia and Alberta which provide raw material for its manufacturing operations. The Company also owns and operates a chain of retail home improvement stores in Canada.



Legend

* LUMBER

West Fraser has interests in 10 sawmills producing dimension lumber and by-product wood chips.
Quesnel, Williams Lake, Smithers, Chetwynd, Fraser Lake, Terrace, Prince Rupert, Blue Ridge, Houston, Burns Lake

▲ MEDIUM DENSITY FIBREBOARD

The Ranger Board plant and the WestPine plant have the capability to produce MDF in varying thicknesses and widths to meet customers' requirements.
Ranger Board, WestPine

■ PULP & PAPER

West Fraser produces linerboard, kraft paper, softwood and hardwood BCTMP and newsprint.
Eurocan Pulp & Paper, Slave Lake Pulp, Quesnel River Pulp Company, Alberta Newsprint Company

● RETAIL HOME IMPROVEMENT STORES

Revelstoke owns and operates 11 full-service warehouse stores and 47 retail home improvement centres, of which 30 are in British Columbia, 15 in Alberta, two in Saskatchewan, two in Manitoba and nine in Ontario.
Revelstoke Home Centres, Revy Home & Garden Centres, Lansing Buildall (in Ontario)

INTRODUCTION

Financial and Operating Highlights

	1998	1997
SALES AND EARNINGS (\$ millions)		
Net sales	1,863.4	1,869.8
Operating earnings	118.9	181.7
Net earnings	5.6	69.5
Cash flow from operating activities	140.8	233.2
COMMON SHARE DATA (in dollars except shares outstanding)		
Common shares outstanding (thousands)		
Weighted average	29,004	28,973
Year-end position	29,070	28,977
Cash flow from operating activities per share	4.85	8.05
Fully diluted earnings per share	0.05	2.30
Cash dividends declared per share	0.54	0.50
Book value per share	29.16	29.10
Price range of common shares		
High	41.00	47.00
Low	19.05	30.65
Close	29.75	35.50
FINANCIAL POSITION (\$ millions)		
Working capital	324.5	353.0
Total assets	2,108.9	2,090.1
Long-term debt	718.4	660.6
Non-recourse debt	—	101.1
Shareholders' equity	897.6	893.1
ANALYTICAL DATA		
Current ratio	2.05	2.36
Capital asset additions and acquisitions (\$ millions)	157.7	156.2
Net debt to capitalization	0.47	0.46
Return on average common shareholders' equity	0.2%	8.2%

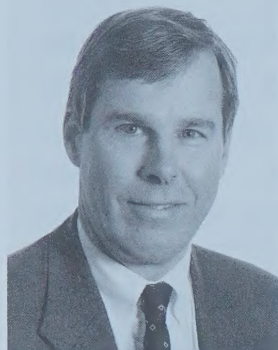
INTRODUCTION

Financial and Operating Highlights

		1998	1997
LUMBER	Production (Mfbm)	1,512,971	1,543,916
	Shipments (Mfbm)	1,540,263	1,568,845
	Sales (\$ millions)	668.6	811.2
	Operating earnings (\$ millions)	77.4	168.7
MDF	Production (Msf)	180,850	160,639
	Shipments (Msf)	180,210	157,689
	Sales (\$ millions)	78.3	71.6
	Operating earnings (loss) (\$ millions)	(10.0)	(29.6)
PULP & PAPER			
Linerboard	Production (tonnes)	311,438	309,591
	Shipments (tonnes)	291,859	309,611
Kraft paper	Production (tonnes)	104,022	101,507
	Shipments (tonnes)	95,519	103,023
BCTMP	Production (tonnes)	288,020	299,572
	Shipments (tonnes)	280,603	295,335
Newsprint	Production (tonnes)	122,957	124,614
	Shipments (tonnes)	122,631	124,495
	Sales (\$ millions)	441.5	441.0
	Operating earnings (\$ millions)	38.8	25.3
RETAIL HOME IMPROVEMENT			
Number of stores			
	Revelstoke Home Centres	38	41
	Revy Home & Garden Centres	11	8
	Lansing Buildall	9	—
	Sales (\$ millions)	688.2	546.9
	Operating earnings (\$ millions)	29.0	26.8

INTRODUCTION

Report to Shareholders



West Fraser again faced a challenging year in 1998. Prices for most of our forest products weakened while stumpage charges and other regulatory costs associated with timber harvesting in British Columbia remained considerably higher than elsewhere in Canada. Therefore, the B.C. forest industry continues to operate at a competitive disadvantage in many of the markets it serves. To deal with these cost and revenue pressures, we are maintaining our focus on strict cost control throughout our organization and are pursuing market opportunities that will improve our margins. We made significant progress in both of these areas during the year.

Earnings in 1998 were \$5.6 million or \$0.05 per common share on sales of \$1,863.4 million. This compares to 1997 earnings of \$69.5 million or \$2.30 per share on sales of \$1,869.8 million. Cash flow from operations was \$140.8 million compared to \$233.2 million in 1997. Spending on capital improvements, asset additions and acquisitions totaled \$157.7 million in 1998 compared to \$156.2 million in 1997. The Company paid cash dividends of \$0.54 per common share in 1998.

In August a 16-year employee at our Fraser Lake sawmill suffered a fatal accident while unloading a logging truck. All of us at West Fraser mourn the loss of our fellow employee. This accident clouds an otherwise strong safety performance throughout the organization which reduced time-loss injuries at our sawmill operations by an average of 40% from the previous year. Our forest products operations continue to achieve above-average performance in time-loss accidents. I commend all of our employees throughout the Company for their individual and combined efforts at improving safety and health attitudes and practices. We remain focused on minimizing serious accidents in the work place.

We are proud of the first aid team at our Eurocan mill. This team won the B.C. first aid competition and travelled to England to represent British Columbia in the World Championships. Their expertise and dedication is representative of the first aid teams at all of our plants which respond so professionally when accidents occur.

The B.C. forest industry is experiencing bureaucratic and administrative overload which has resulted in inordinately high harvesting, forestry and stumpage costs that bear no relation to the realities of the lumber market. Industry and government are working to reduce this costly red tape while maintaining

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Report to Shareholders

harvesting practices that are among the most stringent in the world. The B.C. government and industry must find ways to make the industry more competitive while respecting the Softwood Lumber Agreement between Canada and the United States. In June, the B.C. government announced a technical correction to its stumpage system resulting in a modest reduction in stumpage charges. The U.S. lumber industry has objected to this change and has asked that an arbitration panel settle this dispute.

Because most of our forest products are sold in U.S. dollars, we benefit when the U.S. dollar strengthens against the Canadian dollar as it did in 1998. The average value of a U.S. dollar was Cdn. \$1.48 in 1998 compared with Cdn. \$1.38 in 1997. This had the effect of at least partially offsetting the price declines for most of our products. In 1997 the Company entered into a currency hedging program which ended in August of 1998. This program reduced the benefits to the Company of the stronger U.S. dollar by approximately \$14 million before tax.

During the spring, our Alberta operations were threatened by several large forest fires. Although significant volumes of timber were fire-killed, we do not expect a material impact on our long-term timber supply. We are presently engaged in a timber salvage program to process as much of the fire-killed timber as possible.

Hundreds of West Fraser employees at the Slave Lake, Blue Ridge, Ranger Board and Alberta Newsprint mills worked long hours in often difficult conditions to protect these facilities. Through their efforts none of our four threatened mills were damaged.

Our sawmills continued to perform exceptionally well during the year. In all of our interior sawmills, production costs declined, lumber recovery improved and daily or annual production records were established. The Terrace and Prince Rupert mills operated on reduced schedules reflecting the collapse of the Japanese lumber market, the high cost of logging in northwestern British Columbia and the poor market for hemlock lumber in the United States. Our employees at these two mills have displayed extraordinary commitment during this period of uncertainty and have improved production, reduced costs and continued to set high standards for safety.

Low interest rates and a strong U.S. economy fueled a robust housing market in the United States in 1998. However, the poor Japanese lumber market and increasing production in eastern Canada and the United States kept lumber prices depressed during most of the year. As a result, we took extended downtime around the Christmas holidays in order to reduce our shipments to the U.S. market and thereby reduce penalty payments required by the Softwood Lumber Agreement.

Our medium density fibreboard business continued to operate in a challenging market environment. Prices were held down by the decline of the Asian market and increased production capacity in North America and Europe. While our Ranger Board mill in Alberta again performed well, our WestPine mill, which began production in 1996 in Quesnel, has yet to achieve its rated production capacity and recorded disappointing financial results for 1998. We have made great strides at this plant in terms of cost reduction and are on the way to achieving our production targets.

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Report to Shareholders

Our pulp and paper operations had mixed results. Alberta Newsprint, our joint venture mill, benefited from favorable prices that existed throughout the year, due primarily to labour disputes at two large newsprint producers. Alberta Newsprint is a low-cost producer and will continue to perform well even as newsprint prices decline reflecting the return to full production by North American producers.

Our pulp business suffered from depressed prices during the year because of continuing overcapacity in the pulp sector. Our two pulp mills are relatively new and we have consistently invested the capital required to keep them in the forefront of the industry. We have taken steps to refocus these operations on cost control in order to produce acceptable financial results even during periods of poor markets. We expect to make significant progress in the coming year.

Following a difficult first half of 1998 during which the mill was down for twenty-seven days, our Eurocan linerboard and kraft paper operation substantially improved production and achieved gratifying operational results during the latter half of the year. At the same time, our Eurocan team is approaching cost control with a new enthusiasm and commitment which will significantly improve the competitiveness of this operation.

During the year a new six-year labour agreement was concluded at the Eurocan mill. While there were difficult issues to be resolved, the parties approached the task in a co-operative and constructive manner. This agreement is one of the building blocks through which Eurocan will emerge as a significantly more competitive operation than it is today.

Linerboard and kraft paper demand declined through the year, primarily as a result of the economic crisis in Asia, and by year-end linerboard prices were near historic lows. Our marketing group has aggressively sought out new sales opportunities around the world with a view to improving margins while maintaining full production. We are encouraged by the progress they have made and look forward to prices improving in 1999.

Our retail home improvement business turned in a solid performance for the year. The integration of the Lumberland stores, which we acquired in 1997, was nearly completed by year end. We opened two new Revy warehouse stores in western Canada and closed two Lumberland outlets in the Vancouver area. In May an agreement was reached with the owners of Lansing Buildall of Toronto by which Lansing was merged into our Revy Home Centres. The Lansing operations consist of nine retail stores in the greater Toronto market including a warehouse store opened in the spring of 1998. Revy now operates 58 stores from British Columbia to Ontario and, with the Lansing acquisition, is poised to grow profitably in the large Ontario market.

Our home improvement sales increased to \$688.2 million in 1998 from \$546.9 million in 1997 reflecting the opening of new stores, the acquisition of Lansing and strong economic growth in Ontario and the Prairie Provinces. Exciting growth prospects and a strong, focused management group make us enthusiastic about the future prospects of our retail home improvement business.

During the year, the Forest Practices Board of British Columbia performed an exhaustive audit of

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Report to Shareholders

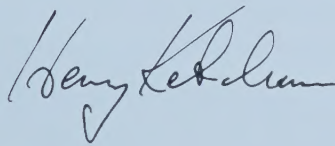
our Williams Lake harvesting area. The Board found that the level of compliance with the Forest Practices Code was noteworthy and the audit results were the best to date. The Steelhead Society of British Columbia – a non-profit organization dedicated to the preservation and enhancement of fish habitat in the province's rivers and lakes – awarded its first Corporate Environmental Award of Excellence to West Fraser, in recognition of the role we played in preserving the 317,000 hectare Kitlope Valley. The award is testimony to the commitment our people have to keeping West Fraser in the forefront of environmental performance and stewardship.

Excellence in environmental performance continues to be a key element of our corporate strategy. We are committed to continual improvement in every area in which we impact the environment.

The successes achieved at West Fraser are the result of the extremely dedicated and talented individuals working throughout the organization. In all areas I see employees looking for new and better ways to do their jobs and enhance our performance. Our employees are hard-working, competitive and motivated to be part of a winning team.

The efforts of all our employees are recognized and greatly appreciated by the Board.

On behalf of the Board of Directors



Henry H. Ketcham, III
Chairman of the Board,
President and Chief Executive Officer



REVY HOME & GARDEN - ABBOTSFORD B.C. FLAG RAISING

ANNUAL INFORMATION FORM

The Company

INFORMATION IN THIS ANNUAL INFORMATION FORM IS AS OF JANUARY 29, 1999 UNLESS OTHERWISE INDICATED. TERMS USED HEREIN THAT ARE DEFINED IN THE GLOSSARY OF INDUSTRY TERMS APPEARING ON PAGE 61 OF THIS ANNUAL REPORT HAVE THE MEANINGS ASCRIBED TO THEM THEREIN.

CERTAIN OF THE INFORMATION PRESENTED IN THIS ANNUAL INFORMATION FORM MAY INCLUDE FORWARD-LOOKING STATEMENTS. THE COMPANY WISHES TO CAUTION READERS THAT SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY'S FUTURE OPERATING RESULTS MAY BE AFFECTED BY VARIOUS TRENDS AND FACTORS, WHICH ARE BEYOND THE COMPANY'S CONTROL. THESE INVOLVE, AMONG OTHER FACTORS, CHANGES IN GENERAL ECONOMIC CONDITIONS, ENVIRONMENTAL REGULATION AND OTHER BUSINESS CONDITIONS THAT AFFECT THE FORESTRY INDUSTRY. ACCORDINGLY, PAST RESULTS AND TRENDS SHOULD NOT BE USED TO ANTICIPATE FUTURE RESULTS OR TRENDS.

West Fraser Timber Co. Ltd. is an integrated forest products company producing dimension lumber, specialty wood products, wood chips, fibreboard, pulp, linerboard, kraft paper and newsprint. The Company carries on its operations through subsidiary companies and joint ventures (collectively, "West Fraser"). Most of the forest products manufactured by West Fraser are sold worldwide as commodities. Through its indirect subsidiary, Revelstoke Home Centres Ltd. ("Revelstoke"), the Company also owns and operates a chain of retail home improvement stores in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

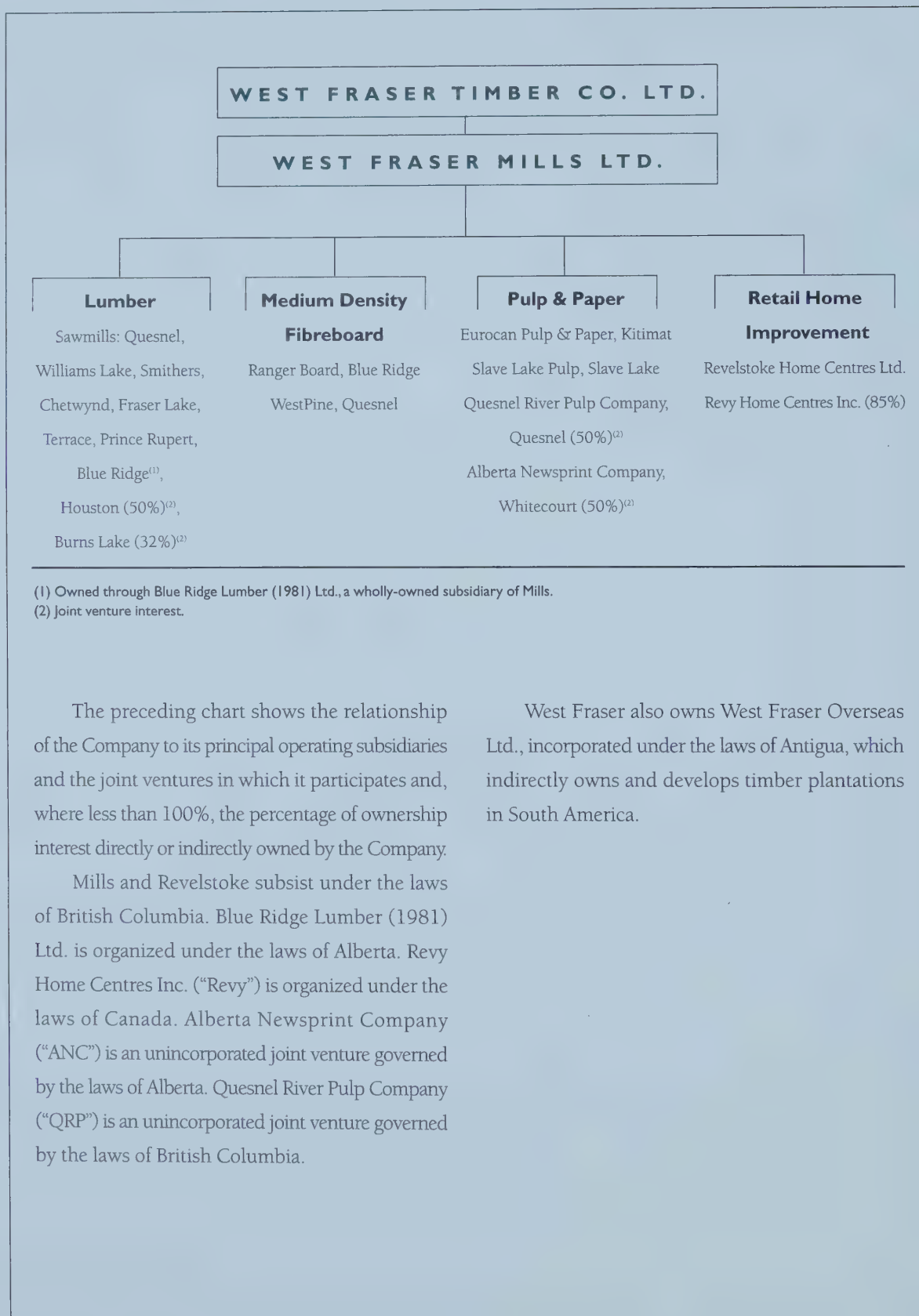
The Company, which began operations in 1955 and took on its present form in 1966 by the amalgamation of a group of companies under the Company Act (British Columbia). Its executive office is at 1000 – 1100 Melville Street, Vancouver, British Columbia, V6E 4A6.

West Fraser Mills Ltd. ("Mills"), the Company's principal operating subsidiary, owns directly or indirectly all of the Company's subsidiaries and joint venture operations.

West Fraser holds timber-cutting rights in British Columbia and Alberta from which harvesting operations provide raw material for its manufacturing operations. It controls 5.6 million m³ of AAC. All of the softwood fibre requirements of West Fraser's pulp and paper mills and MDF plants can be satisfied, directly or indirectly, from its own operations. West Fraser's share of the current annual capacities of its wholly-owned and joint venture manufacturing facilities is approximately 1,620 MMfbm of lumber, 210 MMsf of MDF, 450,000 tonnes of linerboard and kraft paper, 325,000 tonnes of BCTMP and 125,000 tonnes of newsprint.

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Corporate Structure



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Business of West Fraser

HISTORY

West Fraser originated in 1955 when three brothers, Henry H. Ketcham, Jr., William P. Ketcham and Samuel K. Ketcham, acquired a small lumber planing mill at Quesnel. From 1955 to 1979 the business expanded through the acquisition of a number of sawmills and related timber rights in the interior of British Columbia and the development of a small chain of retail building supply stores.

In 1979 West Fraser formed the QRP joint venture with a Canadian subsidiary of Daishowa Paper Manufacturing Co. Ltd. of Japan to construct and operate a pulp mill at Quesnel.

In 1981 West Fraser acquired a 40% interest in Eurocan Pulp & Paper which owned a linerboard and kraft paper mill, two sawmills and partial interests in two joint venture sawmills. West Fraser increased its ownership to 50% in 1984 and in 1993 acquired the remaining 50%.

In 1989 West Fraser, together with Whitecourt Newsprint Company Limited Partnership and its partners, formed ANC to construct and operate a newsprint mill at Whitecourt, Alberta.

In 1995 West Fraser acquired the Blue Ridge sawmill and the Ranger Board MDF plant located at Blue Ridge, Alberta, and the Slave Lake mill located at Slave Lake, Alberta.

West Fraser completed construction of the WestPine MDF plant at Quesnel in 1996.

West Fraser has expanded its retail operations since 1988 through constructing new traditional and full-service warehouse stores and through acquisitions. Acquisitions include the retail home improvement businesses of Revelstoke in 1988, of Eagle Hardware & Garden Inc. (Canadian operations) in 1994, of Lumberland Building Materials in 1997 and of Lansing Buildall in 1998. The Lansing Buildall transaction was accomplished through merging the existing home improvement operations of Revelstoke and Lansing Buildall, excluding the associated real estate holdings, into Revy, a new company. The former shareholders of Lansing Buildall acquired a 15% equity interest in Revy through the merger.

West Fraser's sales revenues from its various product lines over the last five years were as follows:

SALES REVENUES (\$ MILLIONS)					
YEAR ENDED DECEMBER 31	1998	1997	1996	1995	1994
Lumber	\$ 668.6	\$ 811.2	\$ 782.0	\$ 633.3	\$ 670.7
MDF	78.3	71.6	48.7	9.5	—
Pulp and paper	441.5	441.0	438.5	548.4	344.5
Retail home improvement	688.2	546.9	372.6	300.6	265.3
Corporate and other	(13.2)	(0.9)	—	—	—
	\$1,863.4	\$1,869.8	\$1,641.8	\$1,491.8	\$1,280.5

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Business of West Fraser

TIMBER TENURES

British Columbia About 95% of the timberland in British Columbia is owned by the province. Timber harvesting operations are regulated under the *Forest Practices Code of British Columbia Act* and the *Forest Act* (British Columbia), which empowers the Minister of Forests to grant various forms of timber tenures, including forest licenses, TFLs and timber sale licenses.

A forest license confers the right to harvest a specified volume of timber on public lands. It usually has a term of 15 years and is replaceable every five years for a further 15-year term. The Ministry of Forests may also grant short-term non-replaceable forest licenses. A TFL requires the licensee to manage a defined land area to yield an annual harvest on a sustained yield basis. It has a term of 25 years and is replaceable every five years for a further 25-year term. Replacement of a forest license or TFL is subject to satisfactory performance by the licensee and to agreement on terms between the licensee and the Ministry of Forests.

The AAC is determined by the licensee for a TFL and by the Ministry of Forests for a forest license. In all cases the AAC must be approved by the Chief Forester of the province. Generally, the volume harvested under a forest license or TFL may differ from the AAC by up to 50% on an annual basis, but the average harvest must be within 10% of the AAC over each five-year period. All tenures in which West Fraser has an interest are currently in compliance with their cut control requirements.

Alberta Over 90% of the timberland in Alberta is owned by the province. Forest operations on public lands in Alberta are regulated under the

Forests Act (Alberta), which empowers the Minister of Environmental Protection to grant various forms of timber tenures, including FMAs, timber quotas and timber permits. A FMA gives the holder rights to establish, grow and harvest timber on a defined land area and provides that the Minister of Environmental Protection recognizes the holder's rights to grow and harvest timber as the primary use of the FMA. A FMA generally has a 20-year term with provision for further 20-year renewal periods. Each FMA requires the holder to conduct a forest inventory and prepare a detailed forest management plan to determine the AAC of timber to be harvested and to have annual operating plans approved by the Ministry of Environmental Protection before harvesting begins.

A timber quota gives the holder the right to harvest, during a period of 20 years, a specified percentage of the AAC for a Forest Management Unit as determined by the Minister of Environmental Protection, and is renewable. The Ministry of Environmental Protection or the holder of the FMA is responsible for completing the forest inventory, preparing the forest management plan and allocating the volume of timber to be harvested by each quota holder. A quota holder must obtain a timber license issued by the Ministry which describes the area planned for logging by the quota holder and the time during which the timber may be harvested, usually three-year to five-year periods. The volume of timber that may be harvested under a timber quota may be varied from time to time by the Minister but, generally, is subject to review by the Minister every five years.

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Business of West Fraser

TIMBER SUPPLY

The Ministry of Forests of British Columbia completed a review of AAC levels for all TFLs and Timber Supply Areas in 1996. West Fraser's British Columbia operations were not materially affected. In 1997 the Ministry began a second timber supply review for the province, which is

expected to be completed in 1999.

The following table summarizes the timber tenures supplying the mills which West Fraser owns or in which it has an interest, the AAC and the actual harvest in 1998:

LOCATION	TENURE ⁽¹⁾	EXPIRY DATE	AAC ⁽²⁾	1998 HARVEST ⁽²⁾
(IN THOUSANDS OF M ³)				
BRITISH COLUMBIA	Coniferous			
	Long-term tenures	2008-2020	3,754	3,537
	Short-term tenures	1999-2002	300	168
ALBERTA	Coniferous			
	Long-term tenures	2009-2015	1,087	1,017
	Short-term tenures	1999	125	70
	Deciduous			
	Long-term tenures	2009-2010	270	232
	Short-term tenures	1999	107	13

(1) Long-term tenures include TFLs, FMAs, timber quotas and forest licenses, which are renewable timber tenures. Short-term tenures include timber sale licenses and timber licenses, which are not renewable.

(2) Figures for AAC and harvest are for West Fraser's interest only.

Annual log requirements for West Fraser's sawmills operating at stated capacity, including the proportionate requirements for the partly-owned sawmills, total approximately 6.2 million m³, of which approximately 80% can be obtained from the tenures included in the above table. Additional timber needed to meet the log requirements is obtained under short-term licenses or purchased on the open market.

WOOD CHIP SUPPLY

A significant portion of West Fraser's wood chip requirements are supplied from its own operations. This reduces its exposure to risks

associated with wood chip price fluctuations, supply shortages and supply curtailments. Fibre requirements of Eurocan Pulp & Paper, QRP and WestPine are met primarily by West Fraser's sawmilling operations in British Columbia.

The Ranger Board MDF plant obtains its fibre directly from the Blue Ridge sawmill and other sawmills in the area. The Slave Lake mill consumes approximately 495,000 m³ of timber per year when operating at capacity. Under the Slave Lake FMA and the associated timber quotas, 231,000 m³ per year of timber, representing 47% of this fibre requirement, is available to the Slave Lake Pulp mill. Additional fibre required by the mill is obtained

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Business of West Fraser

from industrial salvage and purchases from local suppliers at prevailing market prices.

The annual fibre requirement of the ANC mill is approximately 650,000 m³, of which 85% is obtained from local sawmills, including the Blue Ridge sawmill, normally more than half in trade for sawlogs. The balance is obtained from pulpwood harvested from ANC's FMA. Due to forest fires which occurred in the spring of 1998 in this region, wood chip trades have been temporarily reduced in favour of market purchases.

HARVESTING OPERATIONS

West Fraser's harvesting operations are carried out by independent contractors supervised by its woodlands staff to ensure compliance with the terms of the timber tenures, statutes and regulations and with West Fraser's policies.

REFORESTATION

Under the terms of the timber tenures in British Columbia and Alberta, tenure holders are required to carry out reforestation to ensure re-establishment of the forest after harvesting. The determination of the type of reforestation to be performed in a particular area is based on the climate, terrain, species and other factors affecting the regeneration of the forest. Each of West Fraser's reforestation projects is planned and supervised by its forestry staff and is approved by the relevant government authority.

STUMPAGE

The provinces of British Columbia and Alberta levy royalties and stumpage on all timber harvested on Crown land. Under the market-index-based stumpage systems in place in British Columbia and

Alberta, the stumpage prices paid for wood harvested from West Fraser's timber tenures are tied to prices received for lumber.

The reference price used in calculating stumpage in British Columbia is different from that used in Alberta. The lag time for calculating stumpage off the reference price also differs for the two provinces, with the result that Alberta stumpage rates are more market-sensitive.

CANADA-U.S. SOFTWOOD LUMBER AGREEMENT

Under the Canada-U.S. Softwood Lumber Agreement, which took effect on April 1, 1996, 14.7 billion board feet of lumber from the provinces of British Columbia, Alberta, Ontario and Quebec may be exported annually to the United States free of export tax. Exports in excess of this level, or in excess of a quarterly maximum of 28.75% of the annual quota, incur an indexed export tax which, for the quota year ending March 31, 1999, is U.S. \$52.09 per Mfbm on the first 650 Mfbm, and U.S. \$104.18 per Mfbm above that level. The agreement expires on March 31, 2001.

The annual quota of 14.7 billion board feet has been allocated by the federal government to each primary producer and re-manufacturer in the affected provinces such that each may export a specified quantity of softwood lumber to the United States without payment of export tax.

ABORIGINAL LAND CLAIMS

The governments of Canada and British Columbia have entered into negotiations to consider aboriginal land claims in British Columbia. This negotiation process is administered by the British

Columbia Treaty Commission. Several native groups have filed notices of intention with the Treaty Commission to negotiate land claims in and around West Fraser's operating areas. It is expected that negotiations will last several years. West Fraser is not in a position to assess what future settlements, if any, may be made or how they may affect its operations. Aboriginal land claims may result in increased aboriginal involvement in the management of the public lands on which West Fraser conducts its harvesting operations. In 1998 the governments of British Columbia and Canada completed treaty negotiations with the Nisga'a. If approved in its current form the treaty is not expected to have a material impact on West Fraser.

The Alberta government is in the process of settling a minor land claim in the Whitecourt FMA area. Management does not expect that there will be additional land claim settlements affecting any of West Fraser's Alberta operating areas.

ENVIRONMENT

West Fraser's operations are subject to various federal, provincial and local environmental protection laws. It has audit programs under which all forestry and manufacturing operations are audited for compliance with applicable legislation and standards, as well as management practices. The Environmental Committee of the Company's board of directors tours West Fraser's operations on a periodic basis and reviews its environmental practices.

No chlorine is used in any of West Fraser's pulping processes. Linerboard and kraft paper produced by the Eurocan Pulp & Paper mill and newsprint produced by ANC are unbleached. BCTMP production by the QRP mill and by the

Slave Lake mill involves a hydrogen peroxide bleaching process.

ENERGY

West Fraser's energy requirements are mostly met by provincial utilities and other third parties with the remainder being self-generated. Management expects that economical energy sources will be available in the future.

RESEARCH AND DEVELOPMENT

West Fraser supports joint industry research and development organizations and conducts research and development at several plants to improve processes, maximize resource utilization and develop new products and environmental applications.

HUMAN RESOURCES

As at December 31, 1998, West Fraser employed approximately 6,800 individuals in its operations and an additional 956 individuals in its joint venture operations. Total remuneration paid to employees in 1998, including the Company's share of the joint venture operations, was approximately \$280 million.

Approximately 40% of the Company's forest products employees are covered by collective agreements, some expiring in 2000 and the balance in 2003.

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Business of West Fraser

CAPITAL EXPENDITURES AND ACQUISITIONS

West Fraser invests a significant portion of its operating cash flow in upgrading and expanding

its facilities and operations. West Fraser's capital expenditures and acquisitions for the last five years are as follows:

CAPITAL EXPENDITURES AND ACQUISITIONS (\$ MILLIONS)

YEAR ENDED DECEMBER 31	1998	1997	1996	1995	1994
Lumber	\$ 43.3	\$ 59.3	\$ 40.3	\$173.8	\$ 91.6
MDF	2.2	5.7	99.1	135.3	—
Pulp and paper	27.7	37.3	47.0	209.3	24.0
Retail home improvement	79.0	43.2	25.3	63.5	101.0
Other	5.5	10.7	8.1	20.9	1.6
	<u>\$157.7</u>	<u>\$156.2</u>	<u>\$219.8</u>	<u>\$602.8</u>	<u>\$218.2</u>

MARKETS

West Fraser's products are sold in competitive markets open to a number of companies with similar products. Purchasing decisions by customers are based on price, product quality and service, and are heavily influenced by general economic conditions.

The following table sets forth selected industry product average prices for the periods indicated. These prices do not necessarily reflect those obtained by West Fraser.

AVERAGE TRANSACTION PRICES (U.S. DOLLARS)

	1998	1997	1996	1995	1994
2 x 4 random length SPF (per Mfbm) ⁽¹⁾	\$288	\$354	\$353	\$251	\$341
MDF (per Msf 3/4" basis) ⁽²⁾	\$380	\$373	\$419	\$471	\$448
Newsprint (per tonne) ⁽³⁾	\$580	\$555	\$645	\$670	\$465
BCTMP Softwood pulp (per tonne) ⁽⁴⁾	\$391	\$414	\$410	\$763	\$467
Kraft paper (50 lb) (per tonne) ⁽⁵⁾	\$706	\$731	\$689	\$771	\$639
Kraft linerboard (42 lb) (per tonne) ⁽⁵⁾	\$402	\$375	\$414	\$562	\$413

(1) Source: Random Lengths.

(2) Source: RISI and West Fraser database.

(3) Source: ANC database.

(4) Source: RISI.

(5) U.S. domestic price. Source: Forecaster.

ANNUAL INFORMATION FORM

Business Segments

LUMBER

Production West Fraser has interests in 10 sawmills producing dimension lumber and by-product wood chips. West Fraser also owns and operates a plant at Quesnel producing finger-jointed studs out of trim blocks.

Annual capacity of each sawmill is based on operating two shifts per day, five days per week, except for Quesnel and Williams Lake which operate with a limited third shift each day and Prince Rupert which currently operates on one shift.

Sales Lumber produced by wholly-owned sawmills is sold by West Fraser's lumber sales department to retail and wholesale customers and lumber brokers. West Fraser's lumber sales are influenced

by the Canada-U.S. Softwood Lumber Agreement which limits the quantity of lumber which may be exported to the United States free of export tax. In 1998 72% of lumber sales were to customers in the United States and 25% to Canadian customers, who resold a significant portion into the United States. Far Eastern and other customers accounted for the remaining 3% of sales. Most of the sales to North American customers are shipped by rail directly from the sawmills. The remainder are shipped by truck directly to the customer or through lumber reload facilities or shipped by water through West Fraser's deep-sea terminal at Kitimat. Lumber output from the joint venture sawmills at Houston and Burns Lake is marketed by Weldwood of Canada Limited, mainly in North America.

WEST FRASER'S SHARE OF LUMBER CAPACITY AND PRODUCTION (MMFBM)

	OWNERSHIP	CAPACITY	1998	1997	1996	1995	1994
Quesnel	100%	285	273.8	276.3	285.3	294.3	266.4
Quesnel Finger-Joint	100%	20	21.4	23.1	21.4	20.8	18.7
Williams Lake	100%	140	147.8	140.9	140.1	134.4	131.5
Smithers	100%	165	166.4	164.9	157.5	150.2	160.6
Chetwynd	100%	190	190.0	186.8	186.7	171.0	173.0
Fraser Lake	100%	220	217.4	222.0	208.4	189.6	229.7
Terrace	100%	150	59.1	114.3	139.6	142.8	157.7
Prince Rupert ⁽¹⁾	100%	30	11.6	5.7	5.7	3.9	0.6
Blue Ridge	100%	220	223.0	204.8	213.8	69.4	—
Houston	50%	120	118.6	121.9	117.8	121.5	111.1
Burns Lake	32%	80	83.9	83.2	86.0	82.4	71.0
			1,620	1,513.0	1,543.9	1,562.3	1,380.3
						1380.3	1320.3

(1) Capacity is based on West Fraser's own production. The mill is used primarily to process timber owned by third parties on a custom cut basis.

ANNUAL INFORMATION FORM

Business Segments

MDF

Production The Ranger Board plant was acquired in August 1995 and the construction of the WestPine plant was completed in July 1996. The plants have the flexibility to produce MDF in varying thicknesses and widths to meet customers' requirements. Raw material consists of wood residue and wood chips from local sawmills.

Sales MDF is marketed under the names "Ranger" and "WestPine", mainly in North America, with the balance exported to markets in the Far East and Europe through direct sales and distributors under the direction of West Fraser's sales personnel.

MDF CAPACITY AND PRODUCTION (MMSF 3/4")

	CAPACITY	1998	1997	1996	1995
Ranger Board	110	112.6	99.1	86.8	14.2
WestPine MDF	100	68.3	61.5	15.4	—
	210	180.9	160.6	102.2	14.2

PULP AND PAPER

Linerboard and Kraft Paper

Production The Eurocan Pulp & Paper mill produces linerboard and kraft paper. Linerboard is sold worldwide to producers of corrugated shipping containers. Kraft paper is sold worldwide to a variety of paper converters whose product lines include a range of multiwall industrial sacks.

Sales All linerboard and kraft paper produced by the Eurocan Pulp & Paper mill is sold by West Fraser's sales department, principally through a sales agency agreement with Stora Enso Oyj, which gives West Fraser access to a worldwide sales office network. In 1998 45% of the mill's production was sold to European customers, 39% to Far Eastern customers and the balance to customers in several other countries.

LINERBOARD AND KRAFT PAPER CAPACITY AND PRODUCTION (TONNES)

	CAPACITY	1998	1997	1996	1995	1994
Linerboard		311,438	309,591	329,855	311,956	316,115
Kraft paper		104,022	101,507	79,549	95,972	83,720
	450,000	415,460	411,098	409,404	407,928	399,835

ANNUAL INFORMATION FORM

Business Segments

Pulp

Production West Fraser produces BCTMP primarily from aspen at the Slave Lake mill, which was acquired in August 1995, and from softwood at the QRP mill. BCTMP is used by paper manufacturers to produce tissue products and a variety of other paper grades.

Sales West Fraser's sales department markets pulp produced by Slave Lake and its share of pulp produced by QRP. In 1998 42% was sold to customers in the Far East, 31% to customers in Europe, 26% to customers in the United States and the remainder to customers in Canada and elsewhere.

WEST FRASER'S SHARE OF PULP CAPACITY AND PRODUCTION (TONNES)

	CAPACITY	1998	1997	1996	1995	1994
QRP	160,000	152,193	159,488	140,483	152,227	151,920
Slave Lake Pulp	165,000	135,827	140,084	109,672	35,219	—
	325,000	288,020	299,572	250,155	187,446	151,920

Newsprint

Production The ANC mill produces mostly standard newsprint and a smaller quantity of rotogravure paper.

Sales ANC's newsprint is sold by a partnership owned by the owners of ANC. In 1998 79% was sold to customers in the United States and 21% to customers in Canada.

WEST FRASER'S SHARE OF NEWSPRINT CAPACITY AND PRODUCTION (TONNES)

	CAPACITY	1998	1997	1996	1995	1994
	125,000	122,957	124,614	118,593	120,252	116,734

ANNUAL INFORMATION FORM

Business Segments

RETAIL HOME IMPROVEMENT

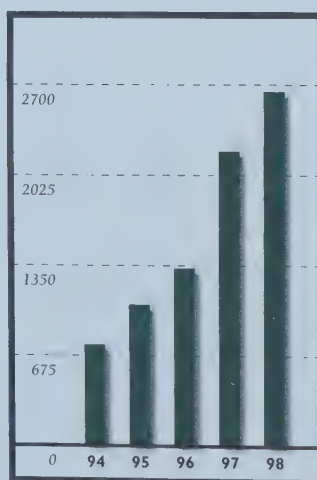
Revelstoke owns and operates 11 full-service warehouse stores and 47 retail home improvement centres, of which 30 are in British Columbia, 15 in Alberta, two in Saskatchewan, two in Manitoba and nine in Ontario. Revelstoke also has distribution centres in Langley, British Columbia, Calgary, Alberta and Mississauga, Ontario and a wholesale lumber trading division. Revelstoke is in the process of constructing one additional warehouse store in Calgary and two stores in greater Toronto, and has acquired several store sites in larger urban centres. Revelstoke's total retail sales floor space is approximately 2.6 million square feet.

The retail home improvement industry is highly competitive, with a large multinational chain and a number of regional chains and smaller retailers in each market. The Company believes that Revelstoke will maintain its competitive position through continued expansion into new or growing markets and the upgrading of its existing outlets.

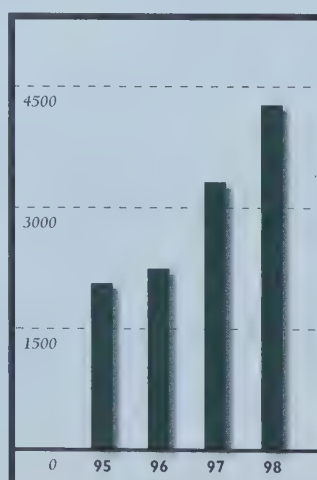
SITE OWNERSHIP

West Fraser's wholly-owned wood products and pulp and paper mills are on land owned by West Fraser with the exceptions of the sawmills at Chetwynd and Williams Lake, which are on land held under long-term leases. The joint venture sawmills at Houston and Burns Lake are also on land held under long-term leases. The QRP mill and the ANC mill are each on land owned equally by West Fraser and its joint venture partner. The retail home improvement outlets consist of 28 locations where the buildings and land are owned by Revelstoke, 28 locations where the buildings and land are leased by Revelstoke and two locations where buildings are owned by Revelstoke on leased land.

TOTAL RETAIL SPACE
(thousands of square feet)



RETAIL EMPLOYEES
(thousands)



ANNUAL INFORMATION FORM

Share Capital and Markets for Securities

SHARE CAPITAL AND MARKETS FOR SECURITIES

The authorized share capital of the Company consists of 80,000,000 shares divided into

- (a) 50,000,000 Common shares,
- (b) 20,000,000 Class B Common shares, and
- (c) 10,000,000 Preferred shares, issuable in series, of which 1,250,000 are designated as Series 1 Cumulative Convertible Redeemable Preferred shares (the "Series 1 Preferred Shares").

The Common shares and Class B Common shares are equal in all respects, including the right to dividends, except that each Class B Common share may at any time be exchanged for one Common share. The Common shares are listed and traded on The Toronto Stock Exchange and the Vancouver Stock Exchange under the symbol WFT.

The Preferred shares are issuable from time to time in one or more series. The board of directors is entitled to fix the number of shares in each series and to determine the designation, preferences, rights, conditions, restrictions, limitations and prohibitions to be attached to the shares of each series before such shares are issued.

As at December 31, 1998 the issued share capital consisted of 23,630,869 common shares, including 509,545 Common shares held by Mills, 5,949,068 Class B Common shares and 1,250,000 Series 1 Preferred Shares.

The Preferred shares rank senior to the Common shares and Class B Common shares with respect to the payment of dividends and the distribution of assets on any liquidation, winding-up or dissolution of the Company, but are not entitled to any voting rights except as required by the Company Act (British Columbia) with respect to a variation of

any special rights or restrictions attached to the class or series. The board of directors may, however, attach to a particular series of the Preferred shares voting and rights that come into effect on a failure by the Company to pay any dividend or amount required on a redemption.

The Preferred shares of each series rank rateably with the Preferred shares of every other series with respect to dividends and the return of capital and on a distribution of assets of the Company among its shareholders for any reason. A holder of a Series 1 Preferred share is not, as such, entitled to receive notice of, attend or vote at any general meeting of the Company.

DIVIDENDS

The declaration and payment of dividends is within the discretion of the board of directors of the Company. It has been the practice of the Company to declare dividends on a quarterly basis payable after the end of each quarter.

In 1998 the Company declared dividends of \$0.54 per Common share and Class B Common share and dividends of \$0.896 per Series 1 Preferred share.

ANNUAL INFORMATION FORM

Directors and Officers

DIRECTORS

The names and municipalities of residence of the directors of the Company, their principal occupations during the past five years and the periods during which they have been directors of the Company, are as follows:

NAME AND MUNICIPALITY OF RESIDENCE	PRINCIPAL OCCUPATION	DIRECTOR SINCE
Henry H. Ketcham, III Vancouver, B.C.	Chairman of the Board, President and Chief Executive Officer	September 16, 1985
Clark S. Binkley ⁽³⁾ Cambridge, Massachusetts	Sr. Vice-President Investment Strategy & Research, Hancock Natural Resource Group, Inc.	February 13, 1992
J. Duncan Gibson ⁽²⁾ Toronto, Ontario	Vice-Chairman, Wealth Management, The Toronto-Dominion Bank	April 29, 1997
Janet W. Ketcham ^{(1) (3)} Seattle, Washington	Investor	November 21, 1977
William P. Ketcham ^{(1) (3)} Seattle, Washington	President of Henry H. Ketcham Lumber Co., Inc.	December 1, 1966
C. Calvert Knudsen ^{(1) (2)} Seattle, Washington	Retired Chairman and Chief Executive Officer of MacMillan Bloedel Ltd.	June 12, 1980
Harald H. Ludwig ⁽¹⁾ West Vancouver, B.C.	President of MacLuan Capital Corporation	May 2, 1995
F. David Radler ⁽²⁾ Vancouver, B.C.	President and Chief Operating Officer of Hollinger Inc.	December 10, 1991
Charles R. Tittmore ^{(1) (2)} Calgary, Alberta	Retired Executive Vice-President of Abitibi-Price Inc.	September 15, 1981

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Environmental Committee

Each director has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years except for Henry H. Ketcham, III who, in addition to his position of President and Chief Executive Officer, became Chairman of the Board effective October 1, 1996; Clark S. Binkley who before July 31, 1998 was Dean, Faculty of Forestry, University of British Columbia; and J. Duncan Gibson who before February 26, 1998 was Executive Vice-President, Wealth Management, The Toronto-Dominion Bank. The term of office of each director will expire at the conclusion of the Company's next annual general meeting.

ANNUAL INFORMATION FORM

Directors and Officers

OFFICERS

The name and municipality of residence of each of the officers of the Company, the office held by each and the principal occupation of each during the last five years are as follows:

NAME, MUNICIPALITY OF RESIDENCE	OFFICE HELD/PRINCIPAL OCCUPATION
Henry H. Ketcham, III, Vancouver, B.C.	Chairman, President, Chief Executive Officer
Russell J. Clinton, White Rock, B.C.	Senior Vice-President, Corporate Development
D. Wayne Clogg, Quesnel, B.C.	Vice-President, Woodlands
Carl L. Grittner, Coquitlam, B.C.	Vice-President, Building Supplies President, Revy
William H. LeGrow, Coquitlam, B.C.	Vice-President, Transportation
Gerald J. Miller, Tsawwassen, B.C.	Vice-President, Administration & Controller
Martti Solin, West Vancouver, B.C.	Vice-President, Finance and Chief Financial Officer
Zoltan F. Szucs, Coquitlam, B.C.	Vice-President, Panelboard
Ernest M. Thony, Quesnel, B.C.	Vice-President, Lumber Sales
Gary W. Townsend, Quesnel, B.C.	Vice-President, Lumber Operations
C. Paul Daniels, Q.C., West Vancouver, B.C.	Secretary
Larry S. Hughes, Vancouver, B.C.	Assistant Secretary Partner, Lang Michener Lawrence & Shaw (barristers and solicitors)

Each officer has held the same or similar principal occupation with the organization indicated or a predecessor thereof for the last five years except for Henry H. Ketcham, III, who was the President and Chief Executive Officer of the Company; Russell J. Clinton, who was the Senior Vice-President and Vice-President, Woodlands of the Company; D. Wayne Clogg, who was the general manager of various West Fraser sawmills; William H. LeGrow, who was the Manager, Transportation of the Company; Zoltan F. Szucs, who was the Manager, Engineered Wood Products of the Company; and C. Paul Daniels, who was associate counsel, Lang Michener Lawrence & Shaw.

ANNUAL INFORMATION FORM

Directors and Officers

SHAREHOLDINGS OF DIRECTORS AND SENIOR OFFICERS

As at December 31, 1998, the directors and senior officers, as a group, beneficially owned, directly or indirectly, or exercised control or direction over, 4,614,629 Common shares and 2,428,999 Class B Common shares, being 20% of the outstanding Common shares, 41% of the outstanding Class B Common shares and 24% of the outstanding voting securities of the Company.

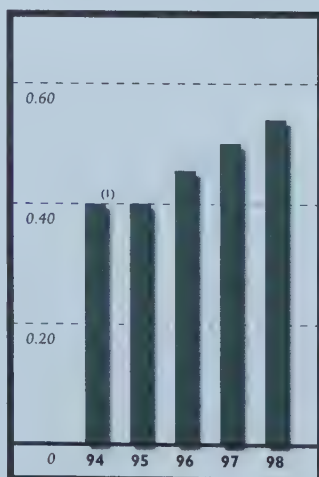
SELECTED CONSOLIDATED FINANCIAL INFORMATION

The section of this Annual Report entitled "Ten-Year Review", which is incorporated herein by reference, contains selected consolidated financial information for the last 10 years. Selected consolidated financial information for the last eight quarters is as follows:

SELECTED QUARTERLY INFORMATION (\$ MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1998				1997			
	DEC 31	SEP 30	JUN 30	MAR 31	DEC 31	SEP 30	JUN 30	MAR 31
Net sales	\$471.9	\$513.7	\$471.9	\$405.9	\$442.6	\$496.5	\$525.4	\$405.3
Net earnings	\$ 6.3	\$ 12.5	\$ (14.3)	\$ 1.1	\$ 5.1	\$ 22.9	\$ 26.8	\$ 14.7
Basic earnings								
per share	\$ 0.17	\$ 0.38	\$ (0.52)	\$ 0.02	\$ 0.15	\$ 0.77	\$ 0.90	\$ 0.49
Fully diluted								
earnings								
per share	\$ 0.17	\$ 0.38	\$ (0.52)	\$ 0.02	\$ 0.15	\$ 0.76	\$ 0.88	\$ 0.49

DIVIDENDS PER COMMON SHARE (\$)



(1) In 1994 the Company also declared a 10% stock dividend.

ANNUAL INFORMATION FORM

Additional Information

ADDITIONAL INFORMATION

When the securities of the Company are in the course of distribution pursuant to a short form prospectus, or a preliminary short form prospectus has been filed in respect of a distribution of its securities, the Company will, upon request, provide to any person:

(a) one copy of this Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in this Annual Information Form;

(b) one copy of the comparative financial statements of the Company for the year ended December 31, 1998, together with the accompanying auditors' report, and one copy of each interim financial statement of the Company prepared after December 31, 1998;

(c) one copy of the Information Circular for the annual general meeting of the Company to be held on April 27, 1999; and

(d) one copy of any other document that is incorporated by reference in the preliminary short form prospectus or the short form prospectus and is not described above.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities, is contained in the Information Circular. Additional financial information is provided in the Company's comparative financial statements for the year ended December 31, 1998.

Copies of this Annual Information Form and the documents incorporated by reference therein, the comparative financial statements of the Company (including the audit report) for the year ended December 31, 1998, each interim financial statement issued after December 31, 1998, the Information Circular and this Annual Report may be obtained at any time upon request from the Company at 1000 – 1100 Melville Street, Vancouver, British Columbia, V6E 4A6.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

THE FOLLOWING DISCUSSION AND ANALYSIS SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES THERETO INCLUDED IN THIS ANNUAL REPORT.

LUMBER

The operating earnings from lumber were \$77.4 million (1997 - \$168.7 million) on external sales of \$668.6 million (1997 - \$811.2 million). Cash provided by operating activities was \$151.8 million (1997 - \$194.3 million). The decrease in operating earnings resulted primarily from reduced mill nets of approximately U.S. \$63 per Mfbm on average from 1997 levels. The reduction in mill nets was partially offset by the weaker Canadian dollar. Higher lumber recovery and lower log costs combined to reduce overall costs.

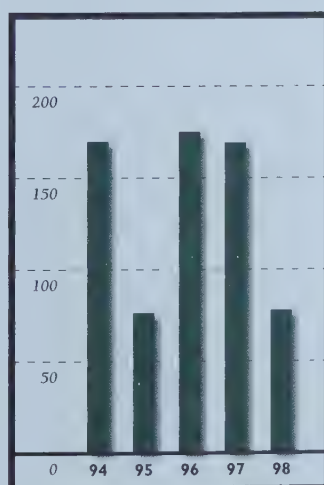
West Fraser's lumber operations continued to perform well under difficult circumstances during 1998. West Fraser's B.C. mills took market related downtime in 1998. In spite of this, annual production records were achieved at the Williams Lake and Chetwynd mills. Total lumber production in 1998

was 1,513 MMfbm compared to 1,544 MMfbm in 1997 and shipments were 1,540 MMfbm compared to 1,569 MMfbm in 1997.

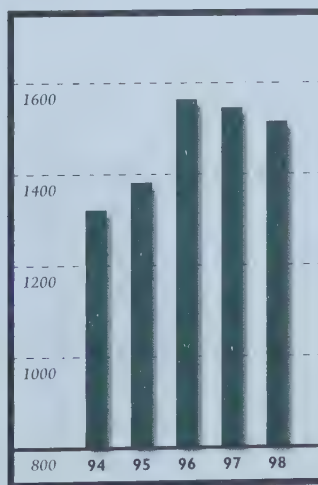
The operations at Terrace and Prince Rupert continued to suffer from difficult operating conditions and took downtime during the year and operated at reduced rates in the last quarter. Weak demand and prices in the key Japanese and U.S. northeast hemlock markets were significant factors. High log costs resulting from difficult terrain and over-regulation contributed to the poor results. Finding long-term solutions at these operations remains a key management focus.

Lumber demand in the United States strengthened as a result of increased housing activity fueled by low interest rates and low unemployment. However, softer market conditions in Japan, combined with increased lumber output in the United States

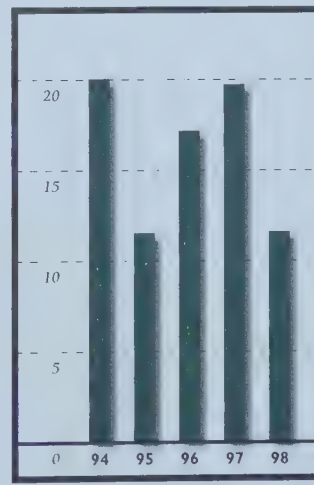
**OPERATING EARNINGS
LUMBER (\$ millions)**



**LUMBER PRODUCTION
(MMfbm)**



**LUMBER SAFETY
(injuries per million hours worked)**



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

and eastern Canada, kept downward pressure on prices. The 1998 average price of U.S. \$288 per Mfbm for the bellwether 2 X 4 SPF in the U.S. market was down over 18% compared to 1997.

In addition, the U.S. lumber quota, which requires substantial penalty payments for shipments in excess of assigned volumes, affected both shipments and sales revenues. During 1998 West Fraser continued to sell to Canadian customers to offset the quota restrictions, but at a discounted price to reflect the quota penalty.

West Fraser consumes approximately the same volume of wood chips as produced by its sawmilling operations. Prices for wood chips, which are based primarily on the price of market pulp, were largely unchanged from 1997.

The high cost of timber in British Columbia continues to be a challenge. Industry has worked closely with the B.C. government to implement changes to the Forest Practices Code and related regulations. These changes, aimed at reducing red tape and increasing efficiency, along with an intense

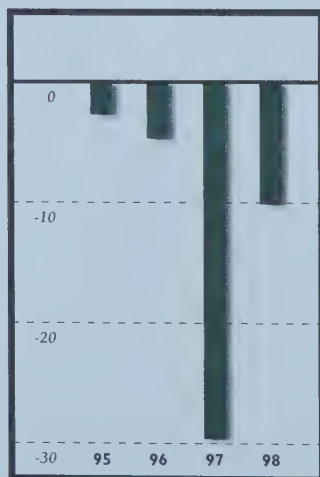
focus on controllable costs, enabled West Fraser to reduce its non-stumpage costs and total delivered log costs. This improvement was achieved in spite of high stumpage rates in the British Columbia interior during the first quarter of 1998. The June 1, 1998 stumpage price correction combined, with cost adjustments related to lower lumber prices, resulted in lower stumpage costs in the second half of the year.

In 1998 the Alberta operations experienced a number of lightning-caused forest fires within West Fraser's timber tenures. As a result, modifications were made to the Blue Ridge mill which will allow the processing of fire-killed timber for about two years.

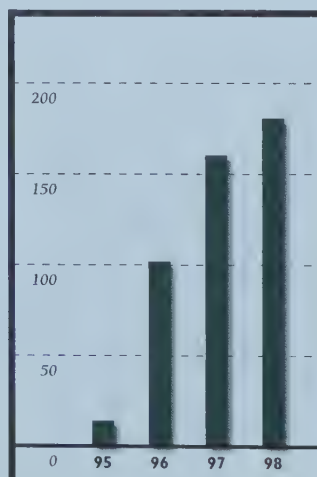
West Fraser is working together with the province of Alberta to initiate intensive silviculture practices which are expected to minimize the future effect on AAC.

In 1998 West Fraser spent \$43.3 million on various capital projects including a state-of-the-art planer mill at the Quesnel sawmill, and a major upgrade of the Blue Ridge sawmill.

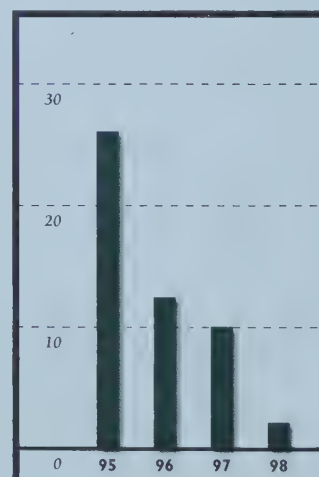
OPERATING EARNINGS
MDF (\$ millions)



MDF PRODUCTION
(MMSF)



MDF SAFETY
(injuries per million hours worked)



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

MDF

The operating loss from MDF was \$10.0 million (1997 - \$29.6 million) on sales of \$78.3 million (1997 - \$71.6 million). Cash used in operating activities was \$3.2 million (1997 - \$22.8 million). The reduction in operating loss was due to increased production, improved sales mix and a continued focus on cost control.

The combined production of Ranger Board and WestPine MDF was 181 MMsf in 1998 compared to 161 MMsf in 1997. The 1998 shipments were 180 MMsf compared to 158 MMsf in 1997. Production at WestPine increased from the previous year, but remained below its capacity. During 1998 Ranger Board exceeded design capacity, in spite of interruptions caused by the forest fires, and achieved major cost reductions, yielding a modest profit at what is believed to be the bottom of the market.

West Fraser changed its MDF marketing strategy in 1998 from utilization of distributors to direct sales. In addition to reducing distribution and selling expenses, the new sales approach allows for more direct customer input into product development and improved customer service and market understanding. Thin board (3-8 mm) and other value-added products were successfully introduced to WestPine's product line during 1998, resulting in improved sales realizations.

West Fraser's MDF business continues to focus on increasing production and reducing costs.

PULP AND PAPER

The operating earnings from pulp and paper were \$38.8 million (1997 - \$25.3 million) on external sales of \$441.5 million (1997 - \$441.0 million). Cash provided by operating activities was

\$31.2 million (1997 - \$47.5 million). In 1998 markets for most of West Fraser's pulp and paper products continued to be plagued by oversupply and low prices. Newsprint was the exception, as strikes among large producers allowed the rest of the industry to operate at full capacity with attractive prices.

Linerboard and Kraft Paper

The combined linerboard and kraft paper production at the Kitimat mill was 415,460 tonnes in 1998 compared to 411,098 tonnes in 1997. In 1998 shipments were 387,378 tonnes compared to 412,634 tonnes in 1997.

In the second half of 1998, as recent capital investments became effective, the mill achieved several production records. A shoe press installed on the linerboard machine in May has been a significant factor in reaching the higher production levels. In the course of the start-up of the mill following the May shutdown, a serious recovery-boiler leak was discovered. The leak required emergency repairs entailing approximately seven days of unplanned shutdown. Testing and monitoring procedures have been established to ensure that similar problems will not occur in the future.

Linerboard prices fell in the second half of the year due to high industry operating rates relative to the greatly reduced overall demand brought about by the Asian financial crisis. The Eurocan mill reduced sales to Korea and other Asian markets by approximately 80,000 tonnes. This reduction was largely offset by increased sales to Europe and to new markets in both North and South America.

The market for high strength, multiwall kraft paper is less than one million tonnes worldwide. The Middle East is a key market for this grade of

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

paper for use in cement sacks. The significant drop in oil prices has caused a slow-down or postponement of many construction projects resulting in a reduced demand for multiwall kraft paper and an increase in competition in other markets.

In spite of difficult market conditions, mill net realizations were higher in 1998 than in 1997 due mainly to the weaker Canadian dollar. Mill nets for linerboard and kraft paper were approximately \$35/tonne and \$20/tonne higher respectively than in 1997. However, in spite of improved demand for linerboard, the fourth quarter price was approximately \$50/tonne below the 1998 average price.

A new collective agreement for the hourly work force was successfully concluded in November. The agreement, which expires in 2003, recognizes the need to improve operating efficiencies by increasing operating time and allowing better utilization of manpower through greater labour flexibility, particularly in the area of maintenance. The Kitimat mill also reduced its salaried manning

through a voluntary early retirement arrangement accepted by 28 employees. The cost of this program was charged to 1998 earnings.

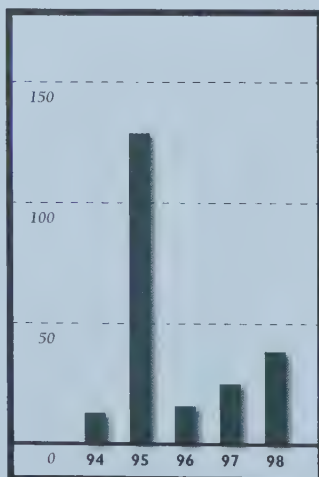
Pulp

Pulp production at QRP and Slave Lake declined in the year to 288,020 tonnes compared to a total of 299,572 tonnes in 1997. The decrease was mainly the result of production interruptions at Slave Lake caused by forest fires in May and the rebuild of the pulp presses later in the year. In addition, the Slave Lake mill curtailed production by approximately 4,200 tonnes in response to the poor markets for hardwood BCTMP.

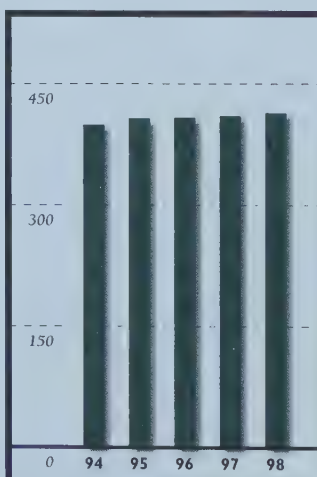
The benchmark NBSK price averaged U.S. \$544 compared to U.S. \$590 in 1997. BCTMP, which is priced relative to the NBSK price, recorded a similar decline.

The continuing economic difficulties in Asia had a negative impact on demand for all grades of pulp including both softwood and hardwood BCTMP produced by West Fraser. In total, West

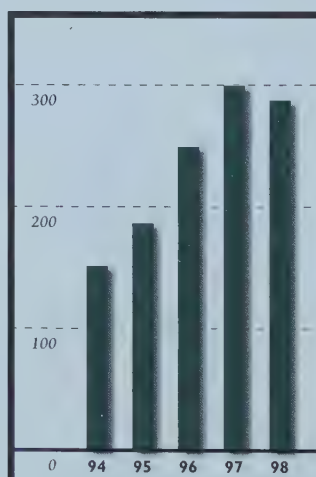
OPERATING EARNINGS - PULP AND PAPER (\$ millions)



LINERBOARD AND KRAFT PAPER PRODUCTION (thousands of tonnes)



PULP PRODUCTION (thousands of tonnes)



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

Fraser shipped 280,603 tonnes in the year compared to 295,335 tonnes in 1997.

The emphasis at West Fraser's pulp operations continues to be on cost control and operating at full production rates. The recent increases in production capacity to 165,000 tonnes are expected to lead to an improved cost structure at the Slave Lake mill.

Newsprint

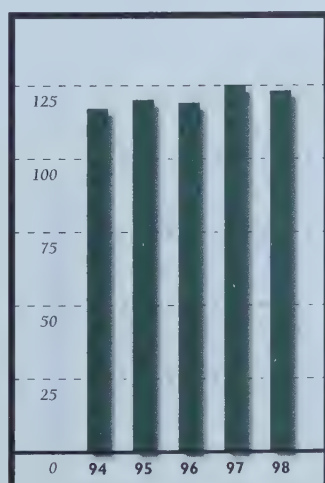
West Fraser's 50% share of production at the ANC mill in 1998 was 122,957 tonnes compared to 124,614 tonnes in 1997. West Fraser's share of newsprint shipments was 122,631 tonnes in 1998, compared to 124,495 tonnes in 1997.

Approximately 90% of the production was standard newsprint, with basis weights ranging from 45gm/m² to 52gm/m². The remainder was Alberta Gold, a specialty rotogravure paper used in magazines and newspaper supplements.

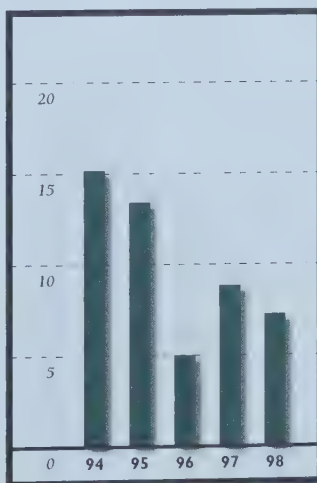
Average North American newsprint prices in 1998 were 4.5% higher than in 1997. Demand for newsprint improved due mainly to an increase in print advertising, which resulted in significantly increased newsprint consumption by daily newspapers. Labour disruptions at certain major newsprint suppliers also resulted in low publisher inventories at year-end. Prices remained essentially flat for most of the year, with a temporary increase in the fourth quarter.

The Alberta forest fires caused a brief shutdown of the mill in 1998. As a result of the fires, the mill is sourcing wood chips from some non-traditional sources in order to meet its newsprint quality requirements.

NEWSPRINT PRODUCTION
(thousands of tonnes)



PULP AND PAPER SAFETY
(injuries per million hours worked)



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operations Review

RETAIL HOME IMPROVEMENT

The operating earnings from retail home improvement were \$29.0 million (1997 – \$26.8 million) on sales of \$688.2 million (1997 – \$546.9 million). Cash provided by operating activities was \$19.6 million (1997 – \$27.8 million). The increase in sales and operating earnings largely reflects the acquisition of Lansing Buildall, included in results since May 22, 1998, and the addition of new Revy Home & Garden stores in Winnipeg, Manitoba and Abbotsford, British Columbia. Margins remained consistent with the previous year despite greater competitive pressure in certain markets. Operating expenses were higher as a result of the acquisition and computer system enhancements. Pre-opening expenses were higher, as three stores were opened in 1998 compared to two in 1997.

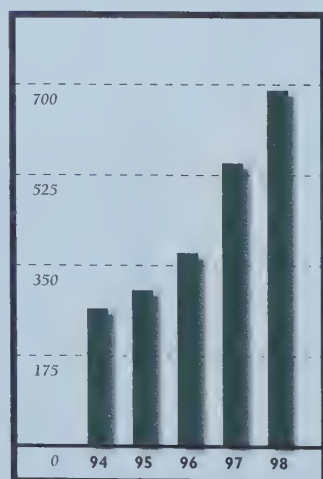
With the addition of Lansing Buildall, West Fraser acquired an established retail home improvement chain operating nine stores in metropolitan Toronto. Lansing's market share and

infrastructure will allow the expansion of the Revy full-service warehouse concept in Ontario. In May, a full-service warehouse store was opened in greater Toronto under the Lansing banner.

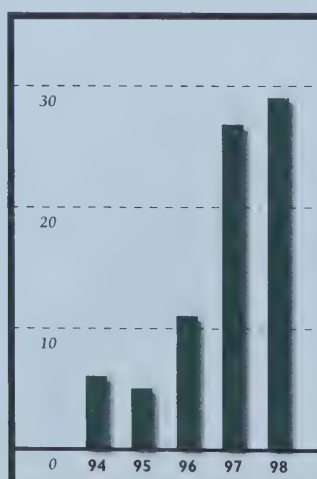
During the year, two of the Lumberland stores acquired in 1997 were closed. The remaining stores were renovated and are performing satisfactorily despite the present poor economic climate in British Columbia.

At the end of 1998 the Company's retail space was 2.6 million square feet compared to 2.2 million square feet at the end of 1997. Revy intends to open its third warehouse store in Calgary in the first quarter of 1999. Revy also intends to open two stores in Toronto in the second half of 1999.

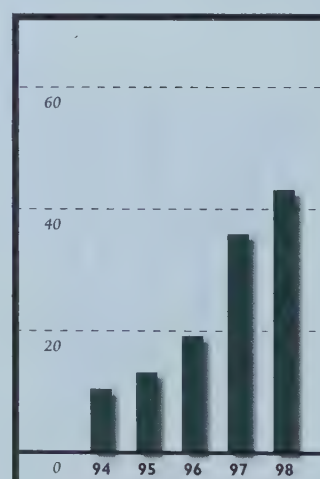
SALES – RETAIL HOME IMPROVEMENT (\$ millions)



OPERATING EARNINGS – RETAIL HOME IMPROVEMENT (\$ millions)



EBITDA – RETAIL HOME IMPROVEMENT (\$ millions)



Earnings before interest, taxes and depreciation and amortization.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Review

EARNINGS AND REVENUE COMPARISON

Consolidated net sales for the year were \$1,863.4 million (1997 – \$1,869.8 million). Lumber sales decreased by 18% while retail sales and MDF sales increased by 26% and 9% respectively. Sales in pulp and paper remained relatively unchanged. The decrease in lumber sales was primarily due to lower lumber prices experienced in 1998 in combination with a 28.6 MMfbm reduction in volume shipped. The retail sales increase was primarily due to the inclusion of the Lansing Buildall stores from May 22, 1998 combined with new store openings. The MDF sales increase was largely the result of increased shipments. In 1998, losses of \$14.5 million from foreign exchange contracts were deducted from net sales.

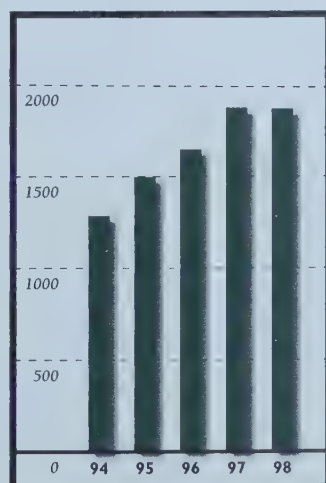
Net earnings decreased to \$5.6 million from \$69.5 million for 1997. The number of common shares outstanding at December 31, 1998 increased to 29,070,392 compared to 28,976,532 at the end of 1997. Fully diluted earnings per share were

\$0.05 in 1998 compared to \$2.30 in 1997. Per share earnings are based on earnings after deducting preferred share dividends and the charge for the convertible obligation and assume the exercise of dilutive options at the beginning of the year or on their dates of issue, if later.

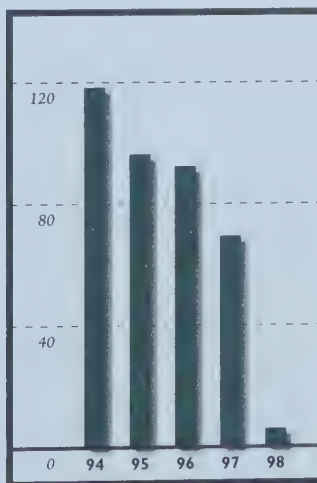
Operating earnings decreased by \$62.8 million or 35% from 1997. On a segmented basis, the decline in operating earnings included: a decline of \$91.3 million in lumber operations due primarily to reduced prices; an increase of \$19.6 million in MDF operations due primarily to increased production volumes and reduced production costs; an increase of \$13.5 million in pulp and paper primarily due to moderate year-over-year price increases in newsprint and linerboard; and an increase of \$2.2 million in the retail operations.

Other expense of \$11.4 million for the year compared to other income of \$2.9 million for 1997. The difference related mainly to \$6.7 million of early retirement and severance payments and \$2.7 million related to a reduction

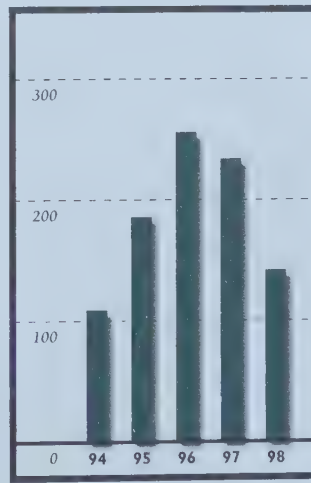
NET SALES
(\$ millions)



NET EARNINGS
(\$ millions)



CASH FLOW FROM OPERATING ACTIVITIES
(\$ millions)



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Review

in earnings from equity investments.

The amortization of deferred foreign exchange loss increased by \$10.2 million from 1997 due to the further decline of the Canadian dollar and to the prepayment of the non-recourse debt denominated in U.S. dollars.

Total taxes and tax-like levies and charges are as shown below:

PAYMENTS TO GOVERNMENT

(\$ MILLIONS)

	1998	1997
Income Tax	18.1	43.7
Corporation Capital Tax	3.6	3.2
Provincial Capital Tax	3.3	3.3
Canada Pension Plan	5.6	4.8
Employment Insurance	7.5	7.5
Property Tax	19.5	17.3
Social Service Tax	12.4	17.0
Stumpage and Royalties	115.0	124.0
Workers Compensation	8.8	9.0
Total	193.8	229.8

The majority of payments to government disclosed in the table above do not have either a direct or indirect relationship to profitability.

The 1998 provision for income taxes of \$21.7 million was 79.4% of earnings before income taxes. The extremely high tax rate was due to capital taxes which do not vary with earnings, and amortization related to acquisitions and amortization of deferred foreign exchange which are not deductible for tax purposes.

CAPITAL STRUCTURE

The capital of West Fraser is comprised of debt and shareholders' equity. Included in shareholders'

equity is a convertible obligation which arose as a result of the Lansing Buildall acquisition. Reference is made to note 10 of the audited financial statements included in this Annual Report for a description of the obligation.

During 1998 the Company issued 93,860 common shares under its various share purchase and option plans.

On March 18, 1998, the Company repaid its non-recourse debt associated with ANC using the proceeds from long-term debt issued in November 1997. All of West Fraser's debt, other than its current borrowings for ANC, are now unsecured and rank equally in right of payment.

On December 31, 1998 the ratio of West Fraser's total debt, less cash, to total capitalization was .47 compared to .46 at the end of 1997. The increase in the ratio is a result of the higher carrying value of the U.S. dollar denominated debt.

West Fraser's fixed-interest term debt is rated by leading rating agencies as follows:

AGENCY	RATING
Canadian Bond Rating Service	A (low)
Dominion Bond Rating Service	BBB
Moody's	BAA 3
Standard & Poors	BBB-

CAPITAL REQUIREMENTS AND LIQUIDITY

West Fraser's annual cash requirements, other than for operating purposes, include interest on, and repayment of, debt, payment of dividends and capital asset additions. In years without a significant acquisition, cash provided by operations has generally been sufficient to meet these requirements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Risks and Uncertainties

In 1998 capital asset additions together with acquisitions amounted to \$157.7 million compared to \$156.2 million in 1997. Proceeds from capital asset disposals were \$34.1 million in 1998 compared to \$6.9 million in 1997. Of the 1998 disposals \$29.0 million related to retail properties subsequently leased back under long-term leases.

West Fraser plans to spend approximately \$100 million on capital asset additions in 1999, mostly on business improvements, capital replacements, construction of retail stores and acquisition of store sites.

West Fraser's scheduled repayment of long-term debt in 1999 is \$42.2 million.

In 1999 West Fraser intends to meet all of its cash requirements for planned capital additions, debt repayments, interest and dividends with funds generated from operations. At December 31, 1998 it had unused credit facilities of approximately \$360 million.

price. This results in significant sensitivity to changes in the U.S.-Canadian dollar exchange rate.

In addition, payment for export sales may occur in the currency of the purchaser resulting in an additional exchange rate sensitivity to a broad range of major foreign currencies. Exchange rate fluctuations between the times of purchase and payment, which may be up to 120 days, result in gains or losses on final settlement. There are no material future obligations under forward-exchange contracts outstanding at year end.

During the year the U.S. dollar traded between Cdn. \$1.59 and Cdn. \$1.40. The range in 1997 was between Cdn. \$1.44 and Cdn. \$1.34. The average exchange value for 1998 was \$1.48 compared to \$1.38 for 1997.

Environment

The "Environmental Report" which appears on page 56 is incorporated herein by reference.

CAPITAL ASSET ADDITIONS AND ACQUISITIONS (\$ MILLIONS)

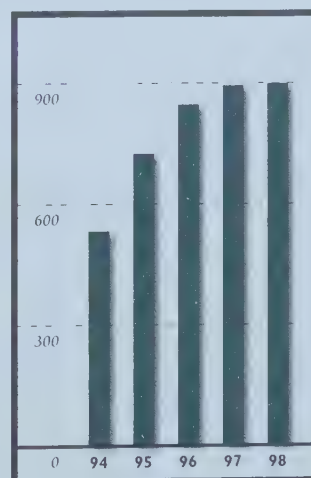
	1998	1997
Lumber	\$43.3	\$59.3
MDF	2.2	5.7
Pulp and paper	27.7	37.3
Retail home improvement	79.0	43.2
Corporate and other	5.5	10.7
Total	\$157.7	\$156.2

RISKS AND UNCERTAINTIES

Foreign Exchange

More than 60% of West Fraser's net sales are produced from the sale of forest products to customers at prices which, although denominated in a variety of currencies, are based on the prevailing U.S. dollar

SHAREHOLDERS' EQUITY (\$ millions)



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Risks and Uncertainties

Land Claims

Aboriginal land claims have created considerable uncertainty for the forest industry in British Columbia. In 1997 the *Delgamuukw* decision by the Supreme Court of Canada made reference to aboriginal title and rights in respect of Crown land and resources as well as the Crown's ability to override such rights. However, it is likely that aboriginal title and rights will continue to be negotiated or litigated, as this decision did not provide a clear definition.

In 1998 the governments of British Columbia and Canada completed treaty negotiations with the Nisga'a. The treaty has been approved by the Nisga'a but has not yet been approved by the provincial legislature or federal parliament and is the subject of several court challenges. If approved in its current form the treaty is not expected to have a material impact on West Fraser. Neither the issue of compensation for companies adversely affected by the Nisga'a treaty due to loss of timber supply, nor the issue of continued access to timber supply, have yet been fully addressed by the federal or provincial government.

Year 2000 Date Issue

The Year 2000 issue (Y2K) arises because many computerized systems use two rather than four digits to identify a year and date sensitive systems may recognize the year 2000 as 1900. If not addressed, these systems may fail or otherwise affect an entity's ability to conduct normal business operations.

In 1996, West Fraser initiated a process to address issues related to Y2K. A detailed inventory of all computerized business systems was completed, followed by an evaluation of each system. Priority was assessed as critical or non-critical according to the potential impact on operations should failure

occur. A plan of remediation and post-remediation testing was developed.

By the end of 1998 the majority of West Fraser's critical systems were remedied, tested and confirmed as Y2K compliant. Those critical systems that are not yet compliant will be remedied, tested and confirmed as Y2K compliant during 1999. In addition, the suppliers of these systems were asked to provide information and assurance with respect to the compliance of their equipment.

West Fraser began contacting suppliers of strategic products and services, including transportation and energy, to obtain a reasonable level of assurance that the supply of these products and services will continue uninterrupted beyond 1999. It is expected that this process will continue throughout 1999. Major customers are also being approached in order to ascertain their Y2K readiness. West Fraser has also been contacted by many of its customers as to its Y2K readiness. West Fraser's board of directors receives regular reports on the status of Y2K.

West Fraser's program of addressing the Y2K issue has proceeded within the context of its continuing upgrading of its information technology systems. Many Y2K issues have been dealt with in the process of this general and normal course upgrading and, as a result, actual direct costs specifically attributable to the Y2K issue are not readily identifiable. Management's view is that in the context of West Fraser's information technology expenditures the costs attributable to Y2K have not been material. In addition, remaining costs to complete the Y2K process are not expected to be material.

While it is impossible to obtain certainty that

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Risks and Uncertainties

West Fraser will be unaffected by failures resulting from the Y2K issue, management believes that the process undertaken will result in minimal disruptions through the transition to the year 2000.

EARNINGS SENSITIVITY

West Fraser's earnings are sensitive to changes in world economic conditions, primarily those in North America, Europe and the Far East. Most of its revenues are from sales of commodities for which prices are sensitive to variations in supply and demand. Since most of these sales are in foreign currencies, mainly U.S. dollars, currency exchange fluctuations are a sensitivity factor.

West Fraser's principal raw material is timber. Stumpage charges on logs harvested from its timber tenures are partially indexed to the market price of lumber, both in British Columbia and in Alberta, although each province follows a different market index and a different policy to make changes to stumpage. The prices paid for logs obtained in the open market are the result of competitive bidding

between mills seeking incremental volumes.

West Fraser is a significant consumer of electrical power and therefore changes in the prices and terms of the supply contracts with various utilities and a third party affects its earnings. Beginning in 1998 electricity in Alberta is sold at prices which reflect current supply and demand. As a result, the price for electricity may vary significantly even to a point which may require short-term production curtailments. Operations which are most affected are Slave Lake, ANC and the Ranger Board mills.

Interest rates, particularly in the United States, have a significant effect on house construction activity, which in turn influences the demand for, and price of, lumber. Sales of existing homes and construction of new homes, together with general economic conditions in the area of retail stores, are factors affecting profitability of the retail home improvement business.

The following table shows the annual after-tax effect on earnings of certain key variables, based on expected 1999 production, sales and usage:

SENSITIVITY TO KEY VARIABLES

FACTOR	VARIATION	CHANGE IN EARNINGS
Lumber price	U.S. \$50 change per Mfbm	\$48.0 million
MDF price	U.S. \$50 change per Msf	\$9.0 million
BCTMP price	U.S. \$50 change per tonne	\$10.5 million
Linerboard price	U.S. \$50 change per tonne	\$15.0 million
Kraft paper price	U.S. \$50 change per tonne	\$5.5 million
Newsprint price	U.S. \$50 change per tonne	\$5.5 million
U.S. - Cdn \$ exchange rate	U.S. \$0.01 change per Cdn \$	\$10.0 million
Log cost	\$10 change per m ³	\$34.5 million
Electricity price	10% change	\$4.5 million

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Business Outlook

The financial performance of West Fraser is dependent on commodity prices, the external value of the Canadian dollar, government policies affecting timber harvesting, and the cost structure of each of its businesses. West Fraser's retail home improvement business is influenced by the level of general economic activity in Canada, particularly home construction in the areas where its stores are located.

In the past the forest industry has generated low returns on capital employed. Some of the recent mergers, which have resulted in capacity reductions, together with fewer new-capacity additions, are expected to result in improved industry profitability.

The turmoil caused by Asian financial markets is not expected to cause a worldwide recession in 1999. In the foreseeable future most economies should continue to grow, albeit at reduced levels. Interest rates should remain low both in the United States and Canada, thereby continuing to benefit the housing sector. The demand for lumber in the United States should remain high by historic standards, although at a lower level than in 1998. The anticipated modest improvement in the Asian demand for lumber will, to some degree, reduce the current lumber oversupply.

In 1998 costs of timber harvesting in British Columbia remained higher than anywhere else in Canada. Further steps should be taken in 1999 to bring this province's cost structure more in line with the other supplying regions. The Canada-U.S. Softwood Lumber Agreement continues to limit the volume of lumber which can be exported to the United States without penalty fees.

Notwithstanding the high timber harvesting costs and the additional costs imposed by the lumber quota, West Fraser's interior sawmills should

remain profitable due to their well-established low cost structure and operating style. However, finding a solution for West Fraser's coastal operations at Terrace and Prince Rupert remains a high priority.

MDF-capacity increases seem to have been absorbed in North America. However, the reduced Asian demand has increased imports to the North American markets, making it more difficult to achieve meaningful price increases in West Fraser's main MDF market areas.

One of the key objectives in 1999 is to improve operating efficiencies of the WestPine MDF plant. While the progress achieved in 1998 was significant, continued efforts in all aspects of this operation will be required in 1999 and beyond to achieve acceptable levels of operating efficiency and profitability.

The combination of closing high-cost, inefficient pulp and paper mills and reductions in capital spending for new capacity should result in lower inventory levels and gradually improving product prices. Linerboard should be one of the first products to benefit from these trends. However, for market pulp and most paper grades, the anticipated slower growth of the world GDP in 1999 is likely to offset the benefit of capacity closures.

In 1999 a key target for West Fraser's pulp business is to achieve a cost structure for the Slave Lake mill that allows it to operate profitably even at the bottom of the pulp cycle.

At the Eurocan Pulp & Paper mill, the continued efforts to reduce costs and increase operating efficiencies are paying off. Another important factor in achieving better financial results at this operation is its ability to sell out its kraft paper capacity rather than produce lightweight linerboard. While the

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

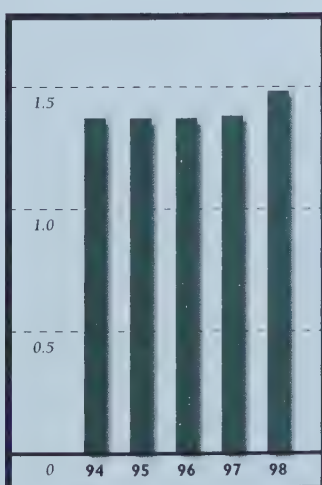
Business Outlook

short-term outlook for kraft paper is less robust than for linerboard, overall, the Eurocan operations should show improved earnings over 1998.

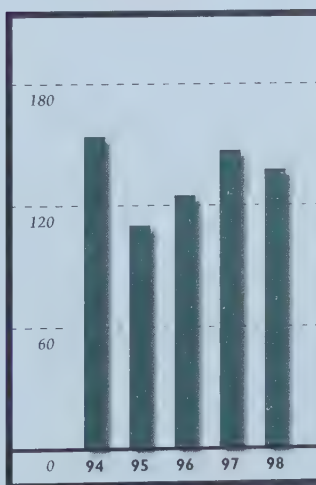
The significant consolidation that has already happened in the newsprint industry should moderate the otherwise bearish outlook for this paper grade. As a low-cost, high-efficiency producer, ANC should continue to earn a return above the industry norm.

In recent years a significant part of West Fraser's growth has come from the retail home improvement business. In 1998, the objective of achieving a national presence was attained with the acquisition of the Lansing chain in Ontario. The introduction of Revy Home & Garden stores in that market in 1999 is expected to greatly solidify Revy's position as a national chain.

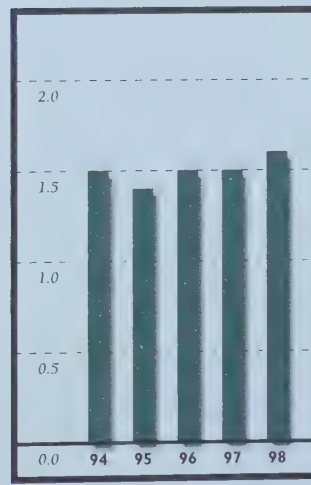
**AVERAGE US/CDN
TRADING VALUE (\$)**



**CANADIAN HOUSING
STARTS (thousands)**



**U.S. HOUSING STARTS
(millions)**





RESPONSIBILITY OF MANAGEMENT

The management of West Fraser Timber Co. Ltd. is responsible for the preparation as well as the integrity of the accompanying consolidated financial statements and all related financial data contained in the annual report. The consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and necessarily include amounts which represent the best estimates and judgments of management. The Company has developed and maintains a system of internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorizations.

The consolidated financial statements have been examined by the Company's auditors, PricewaterhouseCoopers LLP, who have issued their report thereon.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through the Audit Committee comprised of five Directors, none of whom is an officer or employee of the Company. The Committee meets from time to time with management and the Company's auditors to review the financial statements and matters relating to the audit. The Company's auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the consolidated financial statements for issuance to the shareholders.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF WEST FRASER TIMBER CO. LTD.

We have audited the consolidated balance sheets of West Fraser Timber Co. Ltd. as at December 31, 1998 and 1997 and the consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C.
January 29, 1999

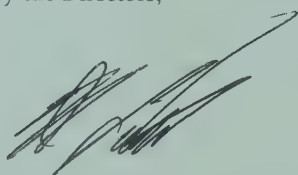
CONSOLIDATED BALANCE SHEETS

As at December 31 (in thousands of Canadian dollars)

	1998	1997
ASSETS		
Current assets		
Cash and short-term investments	\$ —	\$ 26,415
Accounts receivable	176,816	158,458
Inventories (note 4)	448,371	418,872
Prepaid expenses	9,424	9,358
	634,611	613,103
Other assets (note 5)	35,319	14,326
Capital assets (note 6)	1,371,070	1,417,979
Deferred charges (note 7)	67,930	44,724
	<u>\$ 2,108,930</u>	<u>\$ 2,090,132</u>
LIABILITIES		
Current liabilities		
Bank indebtedness	\$ 21,058	\$ —
Accounts payable and accrued liabilities	246,843	246,610
Current portion of long-term debt (note 8)	42,166	—
Current portion of non-recourse debt (note 9)	—	13,527
	310,067	260,137
Long-term debt (note 8)	718,449	660,614
Non-recourse debt (note 9)	—	101,052
Reforestation obligation	40,469	34,931
Deferred income taxes	142,314	140,313
	<u>1,211,299</u>	<u>1,197,047</u>
SHAREHOLDERS' EQUITY		
Convertible obligation (note 10)	15,746	—
Share capital (note 11)	331,628	330,366
Retained earnings	550,257	562,719
	<u>897,631</u>	<u>893,085</u>
	<u>\$ 2,108,930</u>	<u>\$ 2,090,132</u>

Approved by the Directors,

Director



Director



CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

For the years ended December 31 (in thousands of Canadian dollars)

	1998	1997
EARNINGS		
Net sales	\$ 1,863,399	\$ 1,869,761
Costs and expenses		
Cost of products sold	1,537,182	1,480,564
Amortization of capital assets	127,774	129,064
Selling, general and administrative	79,544	78,458
	1,744,500	1,688,086
Operating earnings	118,899	181,675
Other income (expenses)		
Interest expense (note 14)	(61,223)	(59,455)
Amortization of deferred foreign exchange loss	(18,986)	(8,739)
Other (note 15)	(11,412)	2,895
Earnings before income taxes	27,278	116,376
Provision for income taxes (note 16)		
Current	20,350	35,129
Deferred	1,303	11,767
	21,653	46,896
Net earnings	\$ 5,625	\$ 69,480
 Earnings per common share (note 17)		
 RETAINED EARNINGS		
Balance – beginning of year	\$ 562,719	\$ 510,220
Net earnings	5,625	69,480
	568,344	579,700
Convertible obligation (note 10)	(1,589)	–
Surplus on cancellation of shares (note 11)	1,669	–
Dividends		
Preferred shares	(2,494)	(2,494)
Common shares	(15,673)	(14,487)
Balance – end of year	\$ 550,257	\$ 562,719

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the years ended December 31 (in thousands of Canadian dollars)

	1998	1997
CASH PROVIDED FROM (USED FOR)		
Operating activities		
Net earnings	\$ 5,625	\$ 69,480
Add (deduct) non-cash items –		
Amortization of capital assets	127,774	129,064
Amortization of deferred foreign exchange loss	18,986	8,739
Deferred income taxes	1,303	11,767
Change in reforestation obligation	2,787	5,477
Other	4,723	(3,273)
	161,198	221,254
Changes in non-cash working capital items	(20,418)	11,919
	140,780	233,173
Financing activities		
Proceeds from long-term debt	70,990	124,768
Repayment of long-term debt	(15,331)	(139,362)
Repayment of non-recourse debt	(113,805)	(24,615)
Dividends	(18,167)	(16,981)
Proceeds from share issuance, net	2,931	209
Convertible obligation	14,157	–
	(59,225)	(55,981)
Investing activities		
Capital asset additions	(107,873)	(129,600)
Proceeds from disposal of capital assets	34,113	6,934
Acquisitions (note 2)	(49,791)	(26,636)
Decrease (increase) in other assets	(5,477)	1,301
	(129,028)	(148,001)
Increase (decrease) in cash	(47,473)	29,191
Cash (indebtedness) – beginning of year	26,415	(2,776)
Cash (indebtedness) – end of year	\$ (21,058)	\$ 26,415

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in tables are in thousands of Canadian dollars, except where indicated)

I. SIGNIFICANT ACCOUNTING POLICIES

The company follows accounting principles generally accepted in Canada.

Principles of consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries. Principal operating subsidiaries are West Fraser Mills Ltd., Revelstoke Home Centres Ltd., and Revy Home Centres Inc.

Investments in and operations of the company's joint ventures are accounted for by the proportionate consolidation method.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The company harvests timber under various provincial tenures. Estimated future reforestation obligations are charged to earnings based on the volume of timber harvested. The difference in actual costs of reforestation, if any, are credited or charged to earnings when realized.

Foreign currency translation

Monetary assets and liabilities in foreign currencies, including long-term debt, are translated into Canadian dollars at the exchange rates prevailing at the end of the year. Other assets and liabilities and income and expense items are translated at the exchange rates prevailing on the transaction dates. Resulting exchange gains or losses are included in earnings, except for unrealized foreign exchange gains and losses on long-term debt, which are deferred and amortized over the term of the related debt or reflected in earnings when the debt is repaid.

Inventories

Inventories of logs, manufactured products and retail goods are valued at the lower of average cost and net realizable value. Inventories of wood chips, processing materials and supplies are valued at the lower of average cost and replacement cost.

Capital assets

Capital assets are stated at cost, which for major manufacturing assets under construction includes capitalized interest and preproduction and start-up costs. Company owned timberlands include the cost of acquisition and all costs associated with establishing and maintaining the timberlands. Expenditures for additions, improvements and renewals are capitalized. Expenditures for maintenance and repairs are charged to earnings. Upon retirement, disposal or destruction of assets, the cost and related amortization are removed from the accounts and any gain or loss is reflected in earnings.

Amortization

Amortization is provided to reduce the original cost of capital assets to estimated residual values over their useful lives. The company employs the units-of-production basis for amortization of the newsprint mill. All other capital assets are amortized on a straight-line basis.

The rates of amortization being applied are intended to amortize the assets over the following periods:

Buildings –	10 - 40 years
Manufacturing equipment and machinery –	10 - 20 years
Fixtures, equipment and other –	3 - 10 years

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in tables are in thousands of Canadian dollars, except where indicated)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Costs of logging roads are amortized on the basis of timber harvested. The cost of timber rights is amortized over the life of the rights on the basis of timber harvested, not to exceed 25 years. Amortization of company owned timberlands will commence when harvesting begins.

Goodwill arising on acquisitions is amortized over its estimated period of future benefit up to 25 years. Any impairment in value is recorded in earnings when it is identified, based on management's assessment of future operating results.

Deferred financing fees are amortized over the term of the related debt.

Income taxes

Income taxes are recorded using the deferral method of accounting. Deferred income taxes result from differences in the timing of income and expense recognition for accounting and tax purposes.

2. ACQUISITIONS

1998

Effective May 22, 1998, the company purchased the home improvement business of Lansing Buildall. The acquisition has been accounted for by the purchase method and the results of operations have been included with those of the company from the effective date.

Net assets acquired at fair values:

Non-cash working capital	\$ 24,520
Capital assets	7,743
Goodwill	18,226
Deferred income taxes	(698)
	<u>\$ 49,791</u>

Consideration:

Cash	\$ 23,600
Debt assumed	12,034
Convertible obligation (note 10)	14,157
	<u>\$ 49,791 "</u>

1997

Effective January 6, 1997, the company acquired the home improvement business of Lumberland Building Materials. The acquisition has been accounted for by the purchase method, and the results of operations have been consolidated with those of the company from the effective date.

Net assets acquired at fair values:

Non-cash working capital	\$ 18,382
Capital assets	3,104
Other assets	5,150
Cash consideration	<u>\$ 26,636</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in tables are in thousands of Canadian dollars, except where indicated)

3. INVESTMENTS IN JOINT VENTURES

The company's joint ventures consist of Quesnel River Pulp Company (50%), Alberta Newsprint Company (50%), Houston Forest Products Company (50%), and Babine Forest Products Company (31.58%). The company's proportionate share of the financial position, operating results, and cash flows of the joint ventures is as follows:

	1998	1997
Current assets	\$ 64,019	\$ 70,087
Non-current assets	226,673	247,458
Total assets	290,692	317,545
Current liabilities	32,961	46,687
Non-recourse debt	—	101,052
Equity	\$ 257,731	\$ 169,806
Net sales	\$ 244,214	\$ 253,657
Expenses	213,390	226,448
Net earnings	\$ 30,824	\$ 27,209
Cash provided by (used for):		
Operating activities	\$ 63,298	\$ 49,608
Financing activities	\$ (113,805)	\$ (24,615)
Investing activities	\$ (8,272)	\$ (9,833)

The company has business transactions with certain of its joint venture participants and corporations related to these participants. All transactions are at market prices and on normal business terms.

4. INVENTORIES

	1998	1997
Logs and wood chips	\$ 109,531	\$ 126,655
Manufactured products	132,236	128,480
Retail products	161,929	119,845
Processing materials and supplies	44,675	43,892
	\$ 448,371	\$ 418,872

5. OTHER ASSETS

	1998	1997
Goodwill, net of accumulated amortization of \$493,000	\$ 17,733	\$ —
Investments, at equity	1,954	5,552
Investments, at cost	5,660	1,578
Advances for timber and timber deposits	5,019	3,842
Non-interest-bearing loans to employees	2,434	533
Other	2,519	2,821
	\$ 35,319	\$ 14,326

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in tables are in thousands of Canadian dollars, except where indicated)

6. CAPITAL ASSETS

	1998		
	COST	ACCUMULATED AMORTIZATION	NET
Manufacturing plant and equipment	\$ 1,856,303	\$ 873,290	\$ 983,013
Timber rights, timberlands and roads	279,952	120,742	159,210
Retail stores and equipment	207,432	63,826	143,606
Land	85,241	—	85,241
	<u>\$ 2,428,928</u>	<u>\$ 1,057,858</u>	<u>\$ 1,371,070</u>

	1997		
	COST	ACCUMULATED AMORTIZATION	NET
Manufacturing plant and equipment	\$ 1,809,268	\$ 789,152	\$ 1,020,116
Timber rights, timberlands and roads	260,709	96,713	163,996
Retail stores and equipment	176,622	44,277	132,345
Land	101,522	—	101,522
	<u>\$ 2,348,121</u>	<u>\$ 930,142</u>	<u>\$ 1,417,979</u>

7. DEFERRED CHARGES

	1998	1997
Deferred foreign exchange loss	\$ 55,409	\$ 30,946
Deferred pension costs	9,217	9,689
Deferred financing fees	3,304	4,089
	<u>\$ 67,930</u>	<u>\$ 44,724</u>

8. LONG-TERM DEBT

	1998	1997
U.S. \$125 million term notes due 2002; interest at 7.25%	\$ 191,503	\$ 178,622
U.S. \$125 million term notes due 2005; interest at 7.50%	191,326	178,411
Cdn. \$125 million term notes due 2007; interest at 6.80%	124,791	124,768
U.S. \$125 million notes due June 30, 1999 to 2004; interest at 8.44%	191,663	178,813
U.S. \$40 million revolving bank loan due June 30, 2001; interest at floating rates based on LIBOR	61,332	—
	<u>760,615</u>	<u>660,614</u>
Less: current portion	<u>42,166</u>	<u>—</u>
	<u>\$ 718,449</u>	<u>\$ 660,614</u>

All long-term debt is unsecured.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in tables are in thousands of Canadian dollars, except where indicated)

Principal repayments for the next five years are:

1999	\$ 42,166
2000	38,333
2001	99,665
2002	229,995
2003	19,166
Thereafter	331,290
	<u>\$ 760,615</u>

9. NON-RECOURSE DEBT

	1998	1997
Term bank loans	\$ —	\$ 114,579
Less: current portion	—	13,527
	<u>\$ —</u>	<u>\$ 101,052</u>

The non-recourse debt was repaid on March 18, 1998.

10. CONVERTIBLE OBLIGATION

On the acquisition of the home improvement business of Lansing Buildall, a subsidiary of the company issued 1,500,000 of its common shares to the vendors of that business. The company entered into an agreement with the vendors whereby, among other things: (a) the vendors may require the company to purchase such shares at fair market value within a specified period after the end of each of 2001, 2002 and 2003, (b) the vendors may require the company to purchase on December 31, 2004 such shares at the price of \$21.40 each, and (c) the company has the right to purchase such shares at the same price on December 31, 2004. The company has the right to issue common shares to the vendors in satisfaction of the price payable to the vendors under (b). Accordingly, the present value of this obligation has been recorded in shareholders' equity as a convertible obligation and is being increased through a charge to retained earnings as the present value of the obligation increases.

Under certain circumstances, including specified capital market transactions, the rights and obligations referred to above will terminate before December 31, 2004.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in tables are in thousands of Canadian dollars, except where indicated)

II. SHARE CAPITAL

Authorized –

10,000,000 preferred shares, issuable in series, without par value

50,000,000 common shares without par value

20,000,000 Class B common shares without par value

Issued –

	1998		1997	
	NO. OF SHARES	AMOUNT	NO. OF SHARES	AMOUNT
Series I preferred shares	1,250,000	\$ 49,875	1,250,000	\$ 49,875
Common shares	23,630,869	283,533	23,767,009	283,344
Class B common shares	5,949,068	597	5,949,068	597
	29,579,937	284,130	29,716,077	283,941
Shares owned by a subsidiary	(509,545)	(2,377)	(739,545)	(3,450)
Total common shares	29,070,392	281,753	28,976,532	280,491
Total share capital		\$ 331,628		\$ 330,366

Share capital transactions during 1998

The company issued 93,860 common shares for \$2,931,000.

The company cancelled 230,000 shares owned by a subsidiary. The resulting surplus has been credited to retained earnings.

Share capital transactions during 1997

Shareholders exchanged 23,440 Class B common shares for 23,440 common shares of the company.

The company issued 5,079 common shares for \$209,000.

Rights and restrictions

Series I preferred shares

The Series I preferred shares have a fixed cumulative preferential cash dividend at a rate of 5% per annum payable quarterly.

Each preferred share is convertible at the option of the holder at any time before July 31, 2002 into one common share, subject to certain anti-dilution provisions.

Subject to the conversion right, each Series I preferred share is redeemable by the company in certain circumstances before July 31, 2000, and unconditionally on or after that date, and, if still outstanding, must be redeemed on July 31, 2002. The redemption price per share of \$39.90 plus accrued unpaid dividends may, at the company's election on redemption after July 30, 2000, be paid by the issue of common shares at the current market price.

Common shares

Common shares and Class B common shares are equal in all respects except that each Class B common share may at any time be exchanged for one common share.

Dividends payable

Dividends declared and unpaid at December 31, 1998 amounted to \$4,553,000 (1997 – \$4,251,000) and are included in accounts payable and accrued liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in tables are in thousands of Canadian dollars, except where indicated)

Share options

The company has a share option plan for its directors and officers. Options to purchase 543,479 common shares of the company are outstanding at December 31, 1998 (1997 – 455,121). The options are subject to certain vesting provisions and are exercisable at prices ranging from \$29.125 to \$43.00 per common share and expire on the 10th anniversary of the grant of the option. The outstanding options expire at various times between 2004 and 2008.

12. COMMITMENTS

(a) Operating leases

The company is committed to payments under certain operating leases for equipment, land, buildings and office space. Minimum payments required under these leases in each of the next five years are:

1999	\$ 18,300
2000	16,900
2001	15,300
2002	11,000
2003	8,600
	<u>\$ 70,100</u>

The majority of the leases provide the company with the right to early termination without penalty.

(b) Pension plans

The company maintains non-contributory, defined-benefit pension plans covering a significant portion of its employees. These plans provide pensions based on length of service and, in some cases, earnings and length of service.

Pension expense includes the amortization of past service liabilities and experience gains and losses. Amortization is on a straight-line basis over the expected average remaining service life of each employee group.

As at December 31, the actuarial calculation of the total present values of accrued pension benefits and the market-related value of net assets available to provide these benefits are as follows:

	1998	1997
Accrued pension benefits	<u>\$ 158,317</u>	<u>\$ 135,704</u>
Pension fund assets	<u>\$ 153,662</u>	<u>\$ 137,139</u>

Other full-time employees are covered by various defined-contribution pension plans.

The company has entered into agreements with certain employees pursuant to which the company has a liability to pay each of them a supplementary retirement benefit upon retirement. The unfunded liability of \$13,568,000 (1997 – \$4,705,000) is included in accrued pension benefits.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in tables are in thousands of Canadian dollars, except where indicated)

13. FINANCIAL INSTRUMENTS

(a) Fair values

The recorded amounts for cash, accounts receivable, bank indebtedness, and accounts payable and accrued liabilities approximate fair values based on the short maturity of those instruments.

The fair value of the company's long-term debt is estimated as the book value adjusted for the premium or discount required to provide a yield equal to current rates on new debt with maturities equal to the remaining terms to maturity.

For non-recourse debt, fair value is estimated to be book value.

	1998		1997	
	BOOK VALUE	FAIR VALUE	BOOK VALUE	FAIR VALUE
LONG-TERM DEBT (note 8)				
Term notes	\$ 507,620	\$ 512,475	\$ 481,801	\$ 491,215
Other notes	191,663	203,190	178,813	189,085
Revolving bank loan	61,332	61,332	—	—
	<u>\$ 760,615</u>	<u>\$ 776,997</u>	<u>\$ 660,614</u>	<u>\$ 680,300</u>

(b) Credit risk

The company sells its products to a variety of customers and, as such, is exposed to credit risk on the accounts receivable from its customers. The company has adopted policies and procedures designed to limit its credit risk.

14. INTEREST EXPENSE

	1998	1997
Long-term debt	\$ 57,073	\$ 47,453
Non-recourse debt	1,594	11,334
Current, net	2,556	668
	<u>\$ 61,223</u>	<u>\$ 59,455</u>

15. OTHER INCOME (EXPENSE)

	1998	1997
Earnings (loss) from equity investments	\$ (1,911)	\$ 838
Earnings (loss) on sale of capital assets, net	(1,404)	1,175
Early retirement and severance payments	(6,686)	—
Other, net	(1,411)	882
	<u>\$ (11,412)</u>	<u>\$ 2,895</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in tables are in thousands of Canadian dollars, except where indicated)

16. INCOME TAXES

The company's effective tax rate is as follows:

	1998		1997	
	AMOUNT	%	AMOUNT	%
Federal income taxes	\$ 7,638	28.0	\$ 32,585	28.0
Provincial income taxes	4,136	15.2	19,105	16.4
Manufacturing and processing allowances	(502)	(1.8)	(6,861)	(5.9)
Large corporations tax	3,600	13.2	3,167	2.7
Permanent difference arising from acquisitions	5,977	21.9	5,630	4.8
Permanent difference arising from deferred foreign exchange	1,804	6.6	830	0.8
Other	(1,000)	(3.7)	(7,560)	(6.5)
	<u>\$ 21,653</u>	<u>79.4</u>	<u>\$ 46,896</u>	<u>40.3</u>

17. EARNINGS PER COMMON SHARE

Basic earnings per common share are calculated based on net earnings available to common shareholders, as set out below, using the weighted average common shares outstanding. Fully diluted earnings per share assume the conversion of preferred shares and exercise of options, if dilutive, at the beginning of the year or on their dates of issue, if later.

Supplemental fully diluted earnings per share, which assumes the convertible obligation is settled by issuing common shares of the company, is not dilutive and therefore has not been disclosed.

	1998	1997
Net earnings	\$ 5,625	\$ 69,480
Preferred share dividends	(2,494)	(2,494)
Convertible obligation	(1,589)	—
Net earnings available to common shareholders	<u>\$ 1,542</u>	<u>\$ 66,986</u>
Weighted average common shares outstanding	<u>29,004,000</u>	<u>28,973,000</u>
Earnings per common share (dollars)		
Basic	<u>\$ 0.05</u>	<u>\$ 2.31</u>
Fully diluted	<u>\$ 0.05</u>	<u>\$ 2.30</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in table are in millions of Canadian dollars)

18. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. The company has commenced the identification of computer systems that will require modification or replacement. An assessment of the readiness of third parties such as customers, suppliers, and others is ongoing. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19. SEGMENTED INFORMATION

The segmentation of the company's manufacturing operations into lumber, medium density fibreboard (MDF) and pulp and paper is based on a number of factors, including similarities in products, production processes and economic characteristics. The principal operations of each segment are as follows:

Lumber –	10 sawmills, which include the company's interest in joint ventures, producing dimension lumber and by-product wood chips
Medium density fibreboard –	2 MDF plants
Pulp and paper –	4 mills, which include the company's interests in joint ventures, producing a range of products including linerboard, kraft paper, softwood and hardwood BCTMP, and newsprint
Retail –	11 full-service warehouse stores and 47 retail home improvement centres in western and central Canada

The accounting policies of each segment are the same as those described in note 1.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31

(figures in table are in millions of Canadian dollars)

	LUMBER		MDF		PULP AND PAPER		RETAIL		CONSOLIDATED	
	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997
Net sales at market										
prices –										
To external										
customers	\$ 668.6	\$ 811.2	\$ 78.3	\$ 71.6	\$ 441.5	\$ 441.0	\$ 688.2	\$ 546.9	\$1,876.6	\$1,870.7
To other segments	74.3	68.3	–	–	–	–	–	–		
	<u>\$ 742.9</u>	<u>\$ 879.5</u>	<u>\$ 78.3</u>	<u>\$ 71.6</u>	<u>\$ 441.5</u>	<u>\$ 441.0</u>	<u>\$ 688.2</u>	<u>\$ 546.9</u>		
Non-segment									(13.2)	(0.9)
									<u>\$1,863.4</u>	<u>\$1,869.8</u>
Amortization of										
capital assets	\$ 46.9	\$ 47.3	\$ 17.9	\$ 17.8	\$ 50.2	\$ 53.0	\$ 12.6	\$ 10.8	\$ 127.6	\$ 128.9
Non-segment									0.2	0.2
									<u>\$ 127.8</u>	<u>\$ 129.1</u>
Interest expense	\$ 12.9	\$ 11.5	\$ 7.1	\$ 7.9	\$ 26.9	\$ 29.8	\$ 11.7	\$ 10.3	\$ 58.6	\$ 59.5
Non-segment									2.6	–
									<u>\$ 61.2</u>	<u>\$ 59.5</u>
Other income										
(expense)	\$ (3.7)	\$ 5.3	\$ 0.3	\$ –	\$ (7.3)	\$ (0.6)	\$ 1.0	\$ (1.5)	\$ (9.7)	\$ 3.2
Non-segment									(1.7)	(0.3)
									<u>\$ (11.4)</u>	<u>\$ 2.9</u>
Earnings (loss)										
before taxes	\$ 60.9	\$ 162.5	\$ (16.8)	\$ (37.4)	\$ (1.8)	\$ (9.3)	\$ 18.3	\$ 15.0	\$ 60.6	\$ 130.8
Deferred foreign										
exchange loss									(19.0)	(8.7)
Other non-segment									(14.3)	(5.7)
Earnings before										
income taxes									<u>\$ 27.3</u>	<u>\$ 116.4</u>
Identifiable assets	\$ 531.1	\$ 553.8	\$ 215.7	\$ 226.1	\$ 821.9	\$ 815.9	\$ 432.2	\$ 366.6	\$2,000.9	\$1,962.4
Deferred charges									67.9	44.7
Other non-segment									40.1	83.0
									<u>\$2,108.9</u>	<u>\$2,090.1</u>
Capital asset										
additions,										
including										
acquisitions	\$ 43.3	\$ 59.3	\$ 2.2	\$ 5.7	\$ 27.7	\$ 37.3	\$ 79.0	\$ 43.2	\$ 152.2	\$ 145.5
Non-segment capital										
asset additions									5.5	10.7
									<u>\$ 157.7</u>	<u>\$ 156.2</u>

SALES BY GEOGRAPHIC AREA

Net sales to external

customers –

U.S.A.	\$ 443.4	\$ 548.4	\$ 30.2	\$ 31.7	\$ 126.3	\$ 122.5	\$ 7.2	\$ 4.4	\$ 607.1	\$ 707.0
Canada	190.0	216.2	42.5	24.8	40.5	35.9	680.0	541.7	953.0	818.6
Europe	0.4	–	0.1	1.9	99.3	91.8	–	–	99.8	93.7
Far East	34.7	45.3	5.0	12.3	102.3	117.4	1.0	0.8	143.0	175.8
Other	0.1	1.3	0.5	0.9	73.1	73.4	–	–	73.7	75.6
	<u>\$ 668.6</u>	<u>\$ 811.2</u>	<u>\$ 78.3</u>	<u>\$ 71.6</u>	<u>\$ 441.5</u>	<u>\$ 441.0</u>	<u>\$ 688.2</u>	<u>\$ 546.9</u>	<u>\$1,876.6</u>	<u>\$1,870.7</u>

ENVIRONMENTAL REPORT

A commitment to responsible stewardship of the environment and excellence in environmental performance is integral to West Fraser's business. West Fraser's environmental policy sets out this commitment.

Each year West Fraser works toward improving its environmental performance. The improvements range from the seemingly insignificant to the dramatic.

ENVIRONMENTAL POLICY

West Fraser Timber Co. Ltd. is committed to responsible stewardship of the environment. A philosophy of continuous improvement has been adopted to reduce or eliminate the impact of our operations on the environment. This is achieved by forest practices and manufacturing procedures that achieve the most efficient use of resources, thereby reducing or eliminating emissions and waste.

Environmental stewardship is both a corporate and individual responsibility. West Fraser provides training to employees to ensure that they are aware of this policy and possess the skills necessary to achieve the Company's expected levels of environmental performance. Each employee is expected to follow established practices and procedures for environmental stewardship.

West Fraser is a results-oriented company that is committed to the following:

- Compliance with all applicable environmental laws and regulations.
- An ongoing assessment and prioritization of the environmental issues associated with its activities, processes, products and services.
- The conduct of periodic environmental audits.
- An ongoing review of practices and procedures to achieve environmental objectives.

West Fraser believes that long-term business success is linked to environmental excellence. The Company therefore communicates its performance to employees, customers, and other stakeholders. West Fraser will regularly review this policy to ensure that it reflects the Company's ongoing commitment to environmental stewardship.

FOREST PRACTICES BOARD AUDIT

In August 1998 the B.C. Forest Practices Board released the results of its audit of our Williams Lake Forest Licence A20020. The external audit was conducted during the fall of 1997 and examined all aspects of forest management, including planning, harvesting, silviculture, forest protection, and road

construction, maintenance and deactivation, which occurred between September 1996 and August 1997. All operational activities were found to be in compliance with the requirements of the *Forest Practices Code*. In the opinion of the Board, West Fraser's performance was considered "noteworthy" and the forestry operation of the Williams Lake sawmill had "one of the best audit results of field

forestry practices the Board has seen to date.”

The Forest Practices Board also completed an external audit of the forestry practices of the Terrace sawmill. The final report from the Board has not yet been released.

INTERNAL FOREST PRACTICES AUDITS

West Fraser's forest practices audits were completed at the Chetwynd and Fraser Lake forest operations.

These audits found the two operations to be in substantial compliance with the Forest Practices Code and other legislation. Some minor opportunities for improvement were identified. Following the audits each operation submitted detailed action plans to address issues identified.

INTERNAL ENVIRONMENTAL AUDITS

West Fraser's environmental audit program continued in 1998, with environmental audits being completed at the Terrace, Prince Rupert and Smithers sawmills and the Slave Lake pulp mill.

The environmental audits identified no significant issues. Detailed action plans have been developed to address issues identified.

BURNERS

West Fraser, along with two other sawmill operators, has an interest in the operation of two Tier 1 burners at Quesnel. West Fraser also operates a Tier 1 burner at Smithers. Legislation required that Tier 1 burners be phased out by the end of 1998. However, due to a lack of viable alternatives for the disposal of the wood waste, burner operators

requested an extension of the deadline. In order to obtain the extension, West Fraser developed phase-out plans for the burners and conducted extensive community consultation. A two-year extension was granted. One of the burners in Quesnel has been decommissioned.

EMPLOYEE EDUCATION

Seminars were conducted for forestry personnel in Alberta and managers of retail operations in British Columbia, Alberta, Saskatchewan and Manitoba regarding environmental laws applicable to their operations, their duties and responsibilities.

EUROCAN LEACHATE

In order to minimize leachate discharges to the environment, Eurocan carried out two major projects. Firstly, in order to prevent wood chip pile leachate from entering any watercourses, a leachate catchment system was constructed. Leachate is now captured, contained and treated in the effluent treatment system. Secondly, extensive modifications were carried out on the landfill leachate containment system to ensure that no leachate escapes into the environment.

KITIMAT AMBIENT AIRSHED MONITORING

Eurocan, along with other major industries in the Kitimat region, and the Ministry of Environment have formed the Kitimat Ambient Airshed Monitoring Committee. West Fraser installed three 24-hour continuous monitors to measure particulate in the ambient air in the Kitimat region.

ENVIRONMENTAL REPORT

NON-COMPLIANCES

During 1998 QRP experienced two incidents of toxicity test failures. The first incident occurred in January when a valve failed, allowing a small volume of effluent to bypass the treatment system and be discharged. The second incident occurred in August when an upset in the treatment system caused effluent to be discharged that exceeded the toxicity limits. In both cases, upon discovery of the problem, the mill was immediately shut down and corrective action was taken. Steps have been taken to ensure that similar incidents will not occur in the future. A \$500 fine was imposed to West Fraser for the second incident.

In July Eurocan exceeded the permit level for particulate during a compliance test. The situation was immediately corrected.

West Fraser was charged with one count under the *Waste Management Act*, related to its Smithers forestry operations, for allegedly burning debris piles from harvesting operations during a ban on open burning. The charge has been amended to replace the burn ban allegation with an allegation of failure to abide by the *Open Burning Smoke Control Code of Practice*. The charge is being strenuously defended.

FORESTRY

HARVESTING

	ALLOWABLE ANNUAL CUT (M ³)	VOLUME HARVESTED (M ³)	AREA CLEARCUT (HA)	AREA MODIFIED CLEARCUT (HA)	AREA PARTIAL CUT (HA)	AREA SHELTER- WOOD / SEED-TREE (HA)	TOTAL AREA HARVESTED (HA)
Quesnel	751,639	772,128	—	2,681	—	227	2,908
Williams Lake	404,454	422,744	1,881	718	836	—	3,435
Smithers	496,592	451,963	97	1,558	—	57	1,712
Chetwynd	409,567	489,969	308	1,127	246	160	1,841
Fraser Lake	628,102	590,577	831	673	—	—	1,504
Terrace	668,465	346,832	595	—	—	—	595
Prince Rupert	161,449	101,362	179	—	—	—	179
Blue Ridge	850,505	1,043,024*	4,526	—	—	—	4,526
Houston	649,800	705,108	1,378	—	—	—	1,378
Burns Lake	562,122	562,002	1,564	—	6	—	1,570
Slave Lake	231,500	222,000	314	628	105	—	1,047
ANC	553,555	316,530	1,228	62	—	—	1,290
Total	6,367,750	6,024,239	12,902	7,446	1,193	444	21,985

*Blue Ridge Lumber is conducting salvage operations on fire-killed timber.

FORESTRY

REFORESTATION

	TOTAL
Number of Trees Planted	29,843,598
Area Planted (ha)	20,247
Area Naturally Restocked (ha)	5,076
Total Area Restocked (ha)	25,323
Area Silviculture Surveyed (ha)	60,826
Area Declared Free Growing – Appraisal only (ha)	4,802
Volume of Cones Collected (hectalitres)	669

STAND TENDING

	TOTAL (ha)
Herbicide Brush Controlled	5,446
Manually Bush Controlled	4,895
Pre-Commercial Thinned	1,718
Mistletoe Eradicated	2,924
Grass Seeded for Brush Control	89
Total of Stand Tending	15,072

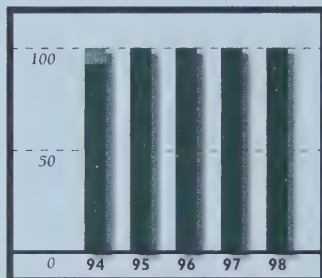
SITE PREPARATION

	TOTAL (ha)
Broadcast Burned	677
Piled and Burned	1,695
Drag Scarified	2,325
Disc Trenched	2,136
Mounded or Mulched	2,732
Herbicide Site Prepared	1,054
Completed by Other Treatments	355
Total Site Prepared	10,974

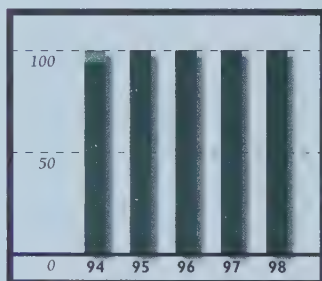
ENVIRONMENTAL REPORT

COMPLIANCE WITH TOXICITY REGULATIONS

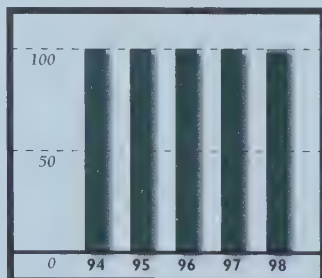
EUROCAN PULP & PAPER
(%)



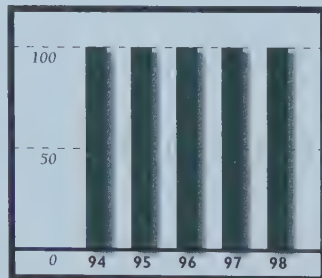
SLAVE LAKE PULP (%)



QUESNEL RIVER PULP (%)

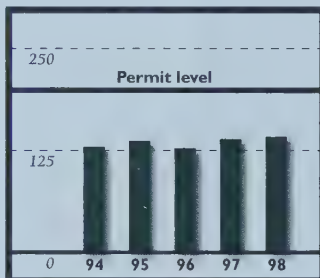


ALBERTA NEWSPRINT COMPANY (%)

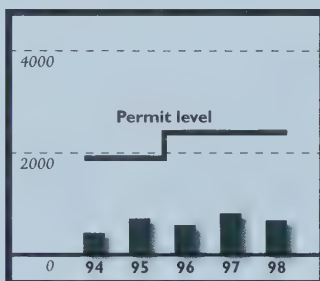


TOTAL SUSPENDED SOLIDS

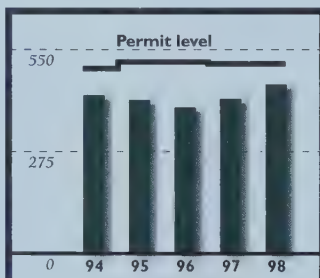
EUROCAN PULP & PAPER
(milligrams per litre)



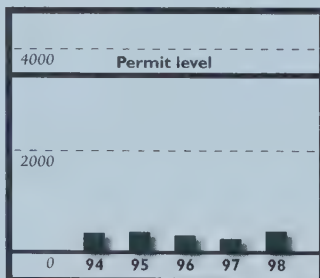
SLAVE LAKE PULP
(kilograms per day)



QUESNEL RIVER PULP
(milligrams per litre)

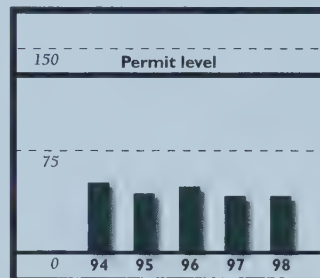


ALBERTA NEWSPRINT COMPANY (kilograms per day)

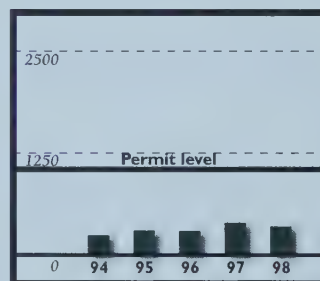


BIOCHEMICAL OXYGEN DEMAND

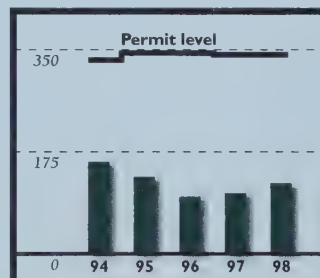
EUROCAN PULP & PAPER
(milligrams per litre)



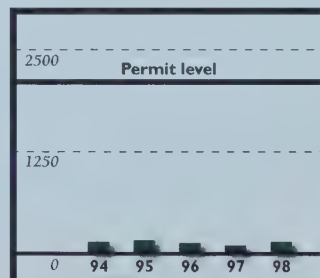
SLAVE LAKE PULP
(kilograms per day)



QUESNEL RIVER PULP
(milligrams per litre)



ALBERTA NEWSPRINT COMPANY (kilograms per day)



■ Compliance ■ Non-compliance

GLOSSARY OF INDUSTRY TERMS

The following are definitions of certain terms used throughout this Annual Report:

AAC means allowable annual cut, being the volume of timber that may be harvested annually from a specific timber tenure

BCTMP means bleached chemi-thermomechanical pulp

BIOCHEMICAL OXYGEN DEMAND means a measure of the amount of oxygen that is taken up by microbes in the process of breaking down organic matter

BURNER means a wood waste incinerator

DIMENSION LUMBER means standard commodity lumber ranging from 1 x 3's to 2 x 12's, in varying lengths

ENVIRONMENTAL AUDIT means a systematic examination of an industrial operation used to measure compliance with regulations, policy and with good industrial practice

FMA means a forest management agreement granted by the Alberta government which entitles the holder to establish, grow and harvest timber on specified lands

FOREST MANAGEMENT UNIT means an area of forest land designated by the Minister of Environmental Protection of Alberta as a management unit

LEACHATE means water that has as a component dissolved matter accumulated as a result of passing through material

M³ means a solid cubic metre, a unit of measure for timber, equal to approximately 35 cubic feet.

MDF means medium density fibreboard, a composite wood product made from wood residue

MFBM means one thousand board feet (equivalent to one thousand square feet of lumber, one inch thick), and MMfbm means one million board feet

MSF is a unit of measure for MDF equal to one thousand square feet on a 3/4 inch basis, and MMsf means one million square feet on a 3/4 inch basis

NBSK means Northern Bleached Softwood Kraft Pulp

PARTICULATE EMISSIONS means finely divided solid materials suspended in gas or air

SPF means spruce/pine/balsam fir species of trees

SUSTAINED YIELD means the yield that a forest can produce in perpetuity at a given intensity of management without impairment of the land's productivity, with the intent that there will be balance between timber growth and harvesting on a sustainable basis

TFL means a tree farm license granted by the Ministry of Forests of British Columbia to a licensee who undertakes to manage an area of timberland to yield an annual harvest on a sustained yield basis.

TIMBER SUPPLY AREA means an area of forest land designated by the Ministry of Forests of British Columbia and allocated an AAC from which non-area based timber tenures are granted

TONNE is a unit of weight in the metric system equal to 1,000 kilograms or approximately 2,204 pounds

TOTAL SUSPENDED SOLIDS means the total amount of suspended solids dispersed in a liquid

TOXICITY means a measure of lethality used to test effluent. To pass the test, 50% of young rainbow trout must survive exposure in undiluted effluent for 96 hours

WOOD RESIDUE means wood chips, shavings and sawdust produced by a sawmill

TEN YEAR REVIEW

	1998	1997	1996	1995
FINANCIAL				
Sales & Earnings (\$ millions)				
Net Sales	1,863.4	1,869.8	1,641.8	1,491.8
Cost of Product Sold	1,537.2	1,480.6	1,262.7	1,128.9
Amortization	127.8	129.1	113.5	95.2
Selling, General and Administrative	79.5	78.4	66.4	63.8
Operating Earnings	118.9	181.7	199.2	203.9
Interest Expense	61.2	59.5	58.2	52.7
Other	30.4	5.8	2.7	(1.1)
Income Taxes	21.7	46.9	46.0	56.4
Net Earnings (Loss)	5.6	69.5	92.3	95.9
Cash Provided from				
Operations (\$ millions)	140.8	233.2	254.7	185.2
Cash Dividends Declared (\$ millions)				
Common Shares	15.7	14.5	13.0	10.7
Preferred Shares	2.5	2.5	2.5	1.1
Capital Asset Additions and				
Acquisitions (\$ millions)	157.7	156.2	219.8	602.8
Financial Position (\$ millions)				
Working Capital	324.5	353.0	321.4	226.3
Capital Assets, Net	1,371.1	1,418.0	1,415.9	1,322.6
Long-Term Debt	718.4	660.6	650.3	578.9
Non-Recourse Debt	—	101.1	120.4	149.5
Deferred Income Taxes	142.3	140.3	128.5	112.1
Preferred Shares	49.9	49.9	49.9	49.9
Common Shareholders' Equity	847.8	843.2	790.5	673.7
Per Common Share (dollars)				
Fully Diluted Earnings (Loss) ⁽¹⁾	0.05	2.30	3.11	3.51
Cash Dividends Declared	0.54	0.50	0.455	0.40
Common Shareholders' Equity ⁽¹⁾	29.16	29.10	27.29	24.30
Price Range – High ⁽¹⁾	41.00	47.00	44.00	36.36
– Low ⁽¹⁾	19.05	30.65	28.50	28.50
Return on Net Assets Employed⁽²⁾				
Return on Net Sales	0.3%	3.9%	5.2%	6.1%
Return on Average Common Shareholders' Equity	0.2%	8.2%	12.3%	15.8%
Net Debt to Capitalization	.47	.46	.48	.54
Number of Employees (year-end)				
	7,269	6,511	5,425	5,099
OPERATIONS				
Production (figures in thousands)				
Lumber (Mfbm)	1,513	1,544	1,562	1,380
MDF (Msf)	181	161	102	14
Linerboard (tonnes)	311	310	330	312
Kraft Paper (tonnes)	104	102	80	96
BCTMP (tonnes)	288	300	250	187
Newsprint (tonnes)	123	125	119	120

(1) Prior years' figures restated to reflect stock dividends (2) Net of Deferred Foreign Exchange (Gain) Loss

TEN YEAR REVIEW

1994	1993	1992	1991	1990	1989
1,280.5	904.0	677.3	533.9	540.5	550.2
975.4	687.3	554.0	474.5	455.1	432.1
74.4	57.3	48.9	42.9	38.1	33.9
54.6	35.6	29.8	28.8	27.7	24.3
176.1	123.8	44.6	(12.3)	19.6	59.9
34.4	24.5	22.5	22.6	17.3	14.6
(48.7)	4.9	3.1	0.4	(1.6)	(1.8)
71.9	41.0	8.8	(18.8)	0.5	18.7
118.5	53.4	10.2	(16.5)	3.4	28.4
108.0	114.8	89.5	37.1	37.4	76.6
9.1	7.9	6.8	6.5	6.2	5.7
—	—	—	—	—	—
218.2	235.0	41.9	33.3	116.6	197.4
164.9	125.7	143.6	134.7	93.3	56.5
875.6	743.9	567.2	575.5	593.9	512.4
245.3	207.4	169.0	154.8	153.1	148.1
177.2	178.0	181.0	176.2	164.0	80.9
116.3	109.1	101.9	104.4	102.6	72.6
—	—	—	—	—	—
532.2	393.6	276.0	272.6	265.3	266.7
4.71	2.28	0.45	(0.77)	0.17	1.38
0.40	0.40	0.40	0.40	0.40	0.37
21.21	15.68	12.17	12.02	12.82	12.97
39.88	41.12	23.67	16.90	15.78	14.94
30.00	21.60	15.03	12.77	12.40	12.40
11.1%	6.1%	1.4%	(2.3%)	0.7%	6.4%
9.3%	5.9%	1.5%	(3.1%)	0.6%	5.2%
26.4%	16.7%	3.7%	(6.1%)	1.3%	11.1%
.51	.53	.54	.56	.59	.52
4,070	3,560	2,654	2,632	2,627	2,745
1,320	1,133	999	971	993	1,040
—	—	—	—	—	—
316	188	125	141	127	101
84	58	39	41	44	48
152	146	146	141	144	136
117	112	110	87	22	—

CORPORATE INFORMATION

CORPORATE OFFICES:

1000 – 1100 Melville Street
Vancouver, British Columbia
Canada V6E 4A6
Tel: (604) 895-2700
Fax: (604) 681-6061

1250 Brownmiller Road
Quesnel, British Columbia
Canada V2J 3J5
Tel: (250) 992-9244
Fax: (250) 992-9233

RETAIL:

Home Office, Distribution and Trading

19550 – 92nd Avenue
Surrey, British Columbia
Canada V4N 4G7
Tel: (604) 882-6200
Fax: (604) 888-1554

Regional Office

9630 Macleod Trail
Calgary, Alberta
Canada T2J 0P7
Tel: (403) 253-6868
Fax: (403) 253-1313

Regional Office

1170 Martin Grove Rd.
Etobicoke, Ontario
Canada M9W 4X1
Tel: (416) 241-5129
Fax: (416) 246-5261

OPERATIONS:

Lumber

1250 Brownmiller Road
Quesnel, British Columbia
Canada V2J 3J5
Tel: (250) 992-9244
Fax: (250) 992-9233

Ranger Board

P.O. Box 1079
Whitecourt, Alberta
Canada T7S 1P9
Tel: (780) 648-6333
Fax: (780) 648-6397

Westpine

P.O. Box 6300
Quesnel, British Columbia
Canada V2W 3J5
Tel: (250) 991-7100
Fax: (250) 991-7115

Eurocan Pulp & Paper

P.O. Box 1400, Eurocan Way
Kitimat, British Columbia
Canada V8C 2H1
Tel: (250) 632-6111
Fax: (250) 639-3486

Quesnel River Pulp Company

1000 Finning Road
Quesnel, British Columbia
Canada V2J 5C3
Tel: (250) 992-8919
Fax: (250) 992-2612

Slave Lake Pulp

P.O. Box 1790
Slave Lake, Alberta
Canada T0G 2A0
Tel: (780) 849-7777
Fax: (780) 849-7725

Alberta Newsprint Company

Postal Bag 9000
Whitecourt, Alberta
Canada T7S 1P9
Tel: (780) 778-7000
Fax: (780) 778-7070

SALES:

Lumber

1250 Brownmiller Road
Quesnel, British Columbia
Canada V2J 3J5
Tel: (250) 992-9254
Fax: (250) 992-3034

MDF

600 – 10707 100th Avenue
Edmonton, Alberta
Canada T5J 3M1
Tel: (780) 413-8900
Fax: (780) 413-8910

Linerboard and Kraft Paper

1000 – 1100 Melville Street
Vancouver, British Columbia
Canada V6E 4A6
Tel: (604) 895-2750
Fax: (604) 685-2441

Pulp

1000 – 1100 Melville Street
Vancouver, British Columbia
Canada V6E 4A6
Tel: (604) 895-2700
Fax: (604) 683-2097

Newsprint

650 – 375 Water Street
Vancouver, British Columbia
Canada V6B 5C6
Tel: (604) 681-8817
Fax: (604) 681-8861

CORPORATE INFORMATION

DIRECTORS:

Henry H. Ketcham, III	Chairman of the Board, President and Chief Executive Officer
Clark S. Binkley	Senior Vice-President, Investment Strategy & Research, Hancock Natural Resource Group, Inc.
J. Duncan Gibson	Vice-Chairman, Wealth Management, The Toronto-Dominion Bank
Janet W. Ketcham	Investor
William P. Ketcham	President of Henry H. Ketcham Lumber Co. Inc.
C. Calvert Knudsen	Retired Chairman and Chief Executive Officer of MacMillan Bloedel Ltd.
Harald H. Ludwig	President of MacLuan Capital Corporation
F. David Radler	President and Chief Operating Officer of Hollinger Inc.
Charles R. Tittmore	Retired Executive Vice-President of Abitibi-Price Inc.

OFFICERS:

Henry H. Ketcham, III	Chairman of the Board, President and Chief Executive Officer
Russell J. Clinton	Senior Vice-President, Corporate Development
D. Wayne Clogg	Vice-President, Woodlands
Carl L. Grittner	Vice-President, Building Supplies
William H. LeGrow	Vice-President, Transportation
Gerald J. Miller	Vice-President, Administration & Controller
Martti Solin	Vice-President, Finance and Chief Financial Officer
Zoltan F. Szucs	Vice-President, Panelboard
Ernest M. Thony	Vice-President, Lumber Sales
Gary W. Townsend	Vice-President, Lumber Operations
C. Paul Daniels, Q.C.	Secretary
Larry S. Hughes	Assistant Secretary

SHAREHOLDER INFORMATION

Annual General Meeting

The Annual General Meeting of the shareholders of the Company will be held at the office of the Company, 1250 Brownmiller Road, Quesnel, B.C. on April 27, 1999 at 2:00 p.m. local time.

Auditors

PricewaterhouseCoopers LLP
Vancouver, British Columbia

Legal Counsel

Lang Michener Lawrence & Shaw
Vancouver, British Columbia

Transfer Agent

CIBC Mellon Trust Company
Vancouver, Calgary, Regina, Winnipeg,
Toronto, Montreal and Halifax

Shares Listed

The Toronto Stock Exchange
Vancouver Stock Exchange
Symbol: WFT

Number of Common Shares Outstanding

29,070,392 shares, as at December 31, 1998 excluding those held by a subsidiary

Investor Contact

Martti Solin
Vice-President, Finance and Chief Financial Officer
Tel: (604) 895-2700
Fax: (604) 681-6061
e mail: shareholder@westfrasertimber.ca



West Fraser Timber Co. Ltd.

1000 – 1100 Melville Street

Vancouver, British Columbia

Canada V6E 4A6

Tel: (604) 895-2700 Fax: (604) 681-6061

www.westfrasertimber.ca